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JANUARY 1932

Woodrow Wilson Relives in a Great Biography

By Allan Nevins

[The following article discusses Woodrow Wilson as he appears in the monumental biography which Ray Stannard Baker has been preparing for several years. Volumes III and IV covering the years 1910-14 have just been published (New York: Doubleday, Doran & Co., $10). Mr. Nevins, who is Professor of History in Columbia University, is the general editor of the "American Political Leaders Series" and the author of many important works of history and biography.]

THE ill feeling toward Woodrow Wilson which many Americans aggressively displayed after 1921 is beginning to fade away. A consciousness that his rich career and conscientious personality are part of the national wealth is being felt by even the most rabid Rooseveltians. Such a good Republican as Mr. Hoover might (if Mr. Hoover were only a little more robust and generous) admit on almost any Armistice Day now that in our last war the nation had a really commanding President. As for the former admirers of Wilson, our national stage has not been so crowded with great figures since his death that they feel inclined to abate their regard for him. Altogether, Ray Stannard Baker's slowly progressing biography should find a responsive public. It unveils a figure of impressive proportions — not so versatile as Roosevelt, not so ruggedly courageous as Cleveland, not so wise or lovable as Lincoln, but admirably fitted to meet one of the great crises, not only of national life but of world history. It is well that the story should be told fully, that the personality of the man should be rendered undiminished. If Mr. Baker continues work on his present scale his biography will reach eight volumes; but Wilson can triumphantly bear even that burden of detail.

Mr. Baker has many merits as a biographer. Among his defects is the fact that he apparently holds a firm belief in the dubious maxim, *de mortuis nil nisi bonum*. Early in the first

of these two new volumes he relates how on Jan. 21, 1910, he heard Wilson's "great speech at the Hotel Astor; an unforgetable experience." No orator he had ever before faced had made an impression "so vivid, clear-cut, alluring"; none had ever imparted such a sense of "firelike sincerity and conviction." It is evident that Mr. Baker has lingered under Wilson's complete spell ever since. In most biographies the hero is permitted to make a few errors. There has been a general impression that in the long, exciting, involved path that led from "Prospect" at Princeton, through Delmonico luncheons with Harvey, the Governor's room in Trenton, the convention at Baltimore and the hustings of 1912 to the hall where the first President since John Adams delivered his message direct to Congress and the Cabinet room where the overthrow of Huerta and William II was planned, there were inevitably mistakes. If so, Mr. Baker hardly admits them. He identifies himself with his hero and assumes throughout the rôle of a defender. He does not distort facts and he is notably fair to Wilson's opponents, from Boss Smith and poor McCombs to Lodge; but he glosses over Wilson's missteps.

Wilson was a great man—too great to require any such treatment. No one can read the testimony of these volumes without realizing that he impinged upon the American political scene about 1908 with the sharp-cut effectiveness of a leader who precisely fitted the time. The national temper was veering sharply toward progressivism. Bryan, Roosevelt, the Populists, the muckrakers and the reformers had prepared the ground and Taft's clumsy errors sharpened the demand to its final edge. Why did Wilson and not some one else fit the time? He had a mind, which Bryan did not. He had a highly educated, balanced and controlled mind, which La Follette did not. He had a mind that responded every day and all day to his conscience, while Roosevelt's, when such objects as Panama or the concealment of Harriman's contributions or the humiliation of Taft were in view, slipped the leash. Besides having a mind, a conscience and an education, Wilson had one additional quality that is needed to turn a political leader into a really eminent statesman—imagination. His imagination enabled him to hear clear voices calling out of that dim, murky cave of the winds called public opinion. It enabled him to peer not too blindly into the future. It was imagination which made him believe, with immense fervor, that a new day of social justice and responsible government was dawning in the United States in 1912; which made him feel that a new era of world peace and world hope was lighting the bloody ruins of 1918. Imagination produced a wealth of rhetoric. It produced also the splendidly real achievements in legislation and administration which saved him from the charge of being a doctrinaire.

But he was not a great man all at once, as Mr. Baker seems to believe; he grew great by steps. His biographer presents him as setting one sure foot forward after another. He is eager from the very beginning to quote men on his rare qualities. Now it is the hostile labor leader who came out of Wilson's office in Trenton, where he had gone to attack his employers' liability bill, saying, "That's the greatest man in America." Now it is Boss Smith listening to the Newark speech of Nov. 5, 1910, and saying, with tears in his eyes: "That is a great man, Mr. Tumulty. He is destined for great things." Now it is Mr. Baker himself at the Hotel Astor speech, saying with enthusiasm: "Here was complete understanding; here was the man who * * * knew what to do. Here veritably was the thinking leader the country needed and could trust!" Yet the fact was that Wilson began as a neophyte in politics and, as James Kerney has shown in his acute volume, *The Political Education of Woodrow Wilson,* had to go through a process of "politi-

cal education." He came to the Governorship an amateur in State affairs and had to learn them—with blunders. He began his Presidency as a novice, with all the empiricism that marks one, and it was only gradually that he felt his way to the security of a trained and experienced administrator. As David Lawrence has put it, his first term "taught him much about his task that enabled him to direct his own improvement." Most important of all, the whole texture of his ideas about politics had to change. The follower of Burke, Bagehot and Cobden had to grow into a follower of Jefferson and Jackson; the Princeton professor who denounced the initiative and referendum as "unworkable" and assured a rich trustee that he wished Bryan could be knocked into a cocked hat had to be transformed into an eloquent apostle of progressive devices and of the lifelong ideas of Bryan.

It is a dramatic story, this growth, and the drama lies in the alternation between the errors and the achievements. In May, 1910, came his final defeat in the effort to reform Princeton. The Wyman bequest at the close of that month meant that he had failed. He was tired of the "minor statesmanship" of education anyway. For several years various men—George Harvey, Walter Hines Page, Laffan of the *Sun* and certain millionaires—had seen in Wilson a *potential* statesman; a little raw, tactless and crude and more than a little headstrong, but promising. It is evident that they regarded him as William C. Whitney had regarded Grover Cleveland. He was to be a reformer—but not in too dangerous a way; a tame, conservative reformer who would draw all the inflammation out of the radical movement, who would set backfires against the flames sweeping down on trusts, interlocking directorates, tariffs and all the rest. This was the theory on which Wilson was projected into the public arena, and he was shortly surprising everybody, including himself, by the way he handled political affairs.

Partly by instinct, partly by virtue of his long training in political theory, Wilson hit at the outset upon a formula or set of principles which served him admirably in politics and government. In essence, it consisted of four rules: Pay as little attention as possible to the bosses, appeal directly to the people at every opportunity, set up a close working alliance between the executive and legislative departments and never let the legislators forget that, while each of them represents part of the people, the Executive *represents all the people.* It took time to make the formula work smoothly. There were mischances and blunders. It is evident that at the very outset Wilson almost brought his career to wreck by his ostentatious indifference to the regular party leaders. In June, 1910, he was on the Connecticut shore at Lyme; a conference with Boss James Smith and Henry Watterson had been arranged at Deal, N. J., by George Harvey; Wilson telegraphed at the last minute that he could not find a train, and Boss Smith was about to nominate Judge Hudspeth of Jersey City for Governor. Only George Harvey's importunities and his energetic dispatch of a friend to bring Wilson down, dead or alive, saved the day. Yet however clumsy he appears in such episodes his indifference to the bosses was sound. He had no illusions about "gratitude" to Smith, Nugent and the other New Jersey leaders. He was aware that they took him up not because they admired him or his political ideas but because they believed he could win and that they could bend him afterward. He was quite justified in showing them that they could not. Incidentally, the sharp defeat of Boss Smith's attempts to override the Senatorial primary and make himself Senator and the still sharper defeat of Nugent's attempt to interfere with Wilson's legislative program were excellent politics. Mrs. Bryan has told us how they impressed her husband.

Still more, they impressed the great American public.

It was by appealing to the people that Wilson won the nomination in 1912. While President Taft and Governor Dix of New York were presenting the spectacle of good-natured Executives surrounded by hard gentlemen who knew exactly what they wanted, Wilson presented the spectacle of a hard Executive who insisted on what the people wanted. More than that, he seized every opportunity to take the stump and talk on national issues. David Lawrence has pictured him in 1910 as looking at the future "indifferently and without caring whether he would have to undertake larger obligations after serving his term as Governor." When, in 1911, talk of the Presidential nomination began, says Mr. Lawrence, "he was at a loss to understand it." On the contrary, he is revealed in these pages as looking forward constantly to the Presidency. Before he was nominated for Governor he wrote his friend, David B. Jones, a Princeton trustee (June 27, 1910), that the plan was to make him President; that the West already preferred him to Judson Harmon, and that it was a "fact" that once made Governor his chances for the Democratic nomination "would be better than those of any other man." He trimmed his sails shrewdly toward that eventuality. The reader is struck in these pages with the endless succession of speeches he made on national topics. When, in May, 1911, W. H. Page, McCombs and Frank Parker Stockbridge induced him to make a Western stumping tour, with special attention to Bryan's State and city, the New York *World* grumbled that he was hunting the nomination too hard. His speeches, moreover, were well planned; they struck that note of progressivism which chimed with a rising surge of sound from the whole national orchestra.

Here also, to be sure, there were blunders; but they were swallowed up in the general correctness of his course. Mr. Baker expends much detail on the famous quarrel with George Harvey, seeking to prove that at every step Wilson was right. Indeed, he treats the episode, unconvincingly, as a "conspiracy" of which Wilson was the intended victim. Mr. Baker's theory is that Wall Street was finding its supposedly tame reformer altogether too untamed and that Harvey concocted a scheme to ruin him. This is too Machiavellian an interpretation. Undoubtedly Wilson meant well. Nevertheless, it is a bit disturbing to compare his grateful effusiveness of 1906-10 to Harvey (see, for example, his "all my heart" letter of Feb. 3, 1906) with his curt notice to Harvey in December, 1911, that his support was now injurious and should be withdrawn. Wilson should have been less eagerly cordial at the outset or more tactfully appreciative at the end. Mr. Baker also lays a number of palm leaves on Wilson's brow for his handling of the Baltimore convention. Unquestionably he played most of his cards well. Nevertheless, the fact is admitted by Mr. Baker that on Saturday morning, June 29, 1912, when Champ Clark had secured a majority, but not two-thirds of the delegates, Wilson committed the almost fatal error of sending McCombs a telegram authorizing the release of his followers. "It seems certain," calmly observes Mr. Baker, "that if Wilson had followed McCombs's advice at any one of several critical moments he would probably have lost the nomination." Well, he did follow his advice at this most critical moment! And he would have lost the nomination in consequence had not the sleepless William Gibbs McAdoo at Baltimore threatened, in effect, to break every bone in McCombs's body if he used the telegram. Probably McAdoo tore the paper to shreds—for it has never since been found.

As President, Wilson faced the necessity of applying the third and fourth of his great rules. The fathers of the Constitution had planned to swing the

Presidency and the Congress in totally separate orbits, one a check upon the other. But as Wilson repeatedly wrote, this Newtonian concept of government was erroneous; government really answers to the Darwinian theory and the executive and legislative branches are simply fellow-members of the same growing, living body. They must act in nice coordination if their health is to be maintained. As Governor, Wilson had tried to apply his theory to the New Jersey Legislature. Experimentally, with results not altogether happy, for he was accused of attempting a party dictatorship, he had gone to the caucus of the Democratic legislators. Some members had tried to eject him. It was unprecedented for a Governor to intrude upon a legislative conference. Wilson had not only stayed but had compelled the members to accept his program of corrupt practices legislation, commission-government legislation and legislation to regulate corporations. Now, in 1913, had come the time to apply his rules to Congress in the first Democratic Administration since 1897. He acted with an energy and decision which made his first two years in the Presidency perhaps the most fertile in constructive legislation in all our history. This is the story—the story of the Federal Reserve act, the Underwood tariff, the Panama tolls fight, the Federal trade commission act, the Clayton act—which fills Mr. Baker's fourth volume.

The reasons for Wilson's immense success in persuading Congress to do his will are simple. The progressive movement had reached its culmination and demanded fruition. The Democratic party, in and out of Congress, realized that its future depended entirely upon its good conduct; it was a little dazed by its sudden accession to power and in a docile mood. Most important of all, Wilson's earnestness and his strength of personality enabled him to appeal over the heads of recalcitrants and rally public sentiment in a wonderfully effective way. Mr. Baker treats it all as a grand triumphal march—which in a sense it was. He thrusts Colonel House into his proper position with scant ceremony, demonstrating how little this adviser really contributed at certain points where everything has been claimed for him. He shows how the Federal Reserve bill, while a product of many "best minds," depended for its final success upon the determination, inflexibility and drive of the President. (Colonel House endangered the bill at one time by letting its tentative provisions leak out to the savagely critical bankers.) He explains how adroitly, by a combination of appeals to the country, pressure from the White House and repeated visits to the Capitol, which last shocked the conservatives, Wilson forced the tariff revision through a Congress as dangerously divided as that which had virtually defeated Cleveland's clumsier efforts of 1894. At the same time we gain a vivid impression of the ceaseless and exhausting pressure of a thousand other problems, from appointments to Mexican affairs, upon the President.

Here also a candid admission of errors would have set a valuable foil against the striking record of achievement. Mr. Baker confesses that the Cabinet was inexperienced, and that one member, Lindley M. Garrison, was an unhappy choice. He might have added that other members were deplorably weak, that the President was much too casual in his choice of men and that the total impression of the first Cabinet on the country was unhappy. With approval, he quotes Frank Cobb as writing in the *World* that no Cabinet had ever made or ruined an administration. But Mr. Cobb wrote that before Mr. Fall, Mr. Denby and Mr. Daugherty had ruined Harding's! The employment of Mr. House as an unofficial Assistant President was a decidedly dubious act, which in the end Wilson himself bitterly regretted. In his public utterances during the harassed years 1913-

14 Wilson was repeatedly infelicitous. Beginning with his speech before the Southern Society of New York on Dec. 17, 1912, where he delivered the threat that he would "build a gibbet as high as Haman's" for any one who should try to discredit the new administration by creating an "unnatural" panic, he was responsible for a number of verbal indiscretions. Nor were Wilson's tactics in dealing with his own party in Congress always well planned. He made errors and false starts in handling the Federal Reserve legislation and paid for them in almost ruinous schism in the Senate Committee on Banking and Currency. In foreign affairs a more critical treatment of his handling of the question of the Japanese in California, answering Roosevelt's attacks on his policy, would have added to the value of Mr. Baker's biography.

But by 1914 Wilson had definitely emerged as a great statesman. The qualities that give him a place among our five or six really eminent Presidents had developed to their full strength. The early months of this year found him coping expertly with a multitude of problems: trust legislation, immigration, rural credits, the seamen's bill, the Philippines, conservation and much more. Midsummer found him dealing with "that scoundrel, Huerta." Wilson, not surprisingly, liked him as a good fighter, while he hated him as a tyrant. "A diverting brute!" he wrote. "He is always so perfectly in character: so false, so sly, so full of bravado (the bravado of ignorance, chiefly) and yet so courageous, too, and determined—such a mixture of weak and strong, of ridiculous and respectable! One moment you long for his blood and the next you find yourself entertaining a sneaking admiration for his nerve." Then, with August, came private tragedy, in the death of Mrs. Wilson, and world tragedy in the breaking of the World War. The man who had grown so steadily through the four crowded years since his resignation at Princeton faced problems that would test him as no Presidents but Washington and Lincoln had been tested before.

One fact more remains to be stated. At last, in this work the personality of Wilson comes completely before us. Roosevelt was the same man to the crowd and to his intimates. But the real Wilson, the Wilson only a few friends knew, was very different from the man the world saw. Every one thought him cold, aloof, guarded; actually he was warmly emotional, hungry for affection and indiscreetly eager to express himself. He poured himself out in letters, chiefly to women whose "unarguing sympathy" (perhaps also whose admiration) he relied upon. These letters copiously quoted, including many to the famous Mrs. Peck, who is here always mentioned under her later name of Mrs. Mary A. Hulbert, contain some extraordinary revelations. "Now we can not go to Rydal!" he had exclaimed when the news of his Presidential nomination came. His love of privacy, his boyhood dreams, his attachment to "people of flavor and personality," his interest in swallows on a telephone wire, Bermuda, Wordsworth, religion, the "dismal voice" of the ocean at Sea Girt, the death mask of Cleveland, Percy Mackaye's bird masque at Cornish, the more interesting guests at the White House and his golf score, his emotion when Francis Sayre took away one of his daughters and Mr. McAdoo became engaged to another, his beautiful devotion to Mrs. Wilson —all this and much more is now fully opened to us. Sometimes these intimate touches are not altogether pleasing. In view of his Scotch-Irish fighting qualities, his rugged stubbornness and energy, the plangent note of sentiment occasionally tinkles incongruously. Yet it all shows that Woodrow Wilson was a wonderfully complex personality, whose strength arose from depths not found in many men and whose weaknesses were born of cross currents that do not trouble shallower or weaker souls.

The Clash of Arms in Manchuria

By Cyrus H. Peake

Department of Chinese, Columbia University

THE Manchurian crisis, if it did not come to an end, at least entered upon a new phase on Dec. 10 when the Council of the League of Nations adopted a resolution designed to remove this menace to international concord. The Council of the League had been in session the greater part of the three months during which the crisis has been in progress. Its chief effort had been to draw up a resolution acceptable to the disputants which would result in the withdrawal of Japan's forces to the Japanese railway zone in Manchuria and the restoration of normal relations between China and Japan.

As soon as the Chinese were confronted by Japan's superior armed forces on Sept. 18 they appealed to the League and to Washington, thereby seeking to make the Manchurian problem an issue of international politics in the hope that the pressure of other nations would restrain Japan. In the boycott, however, the Chinese have a weapon of defense that in the long run bids fair to defeat the Japanese militarists. The Japanese, on the other hand, officially asserted that the Manchurian crisis is one to be settled between the two nations without the intervention of third parties. The military clique in Japan resented the League's attempts to bring about evacuation and repeatedly flouted the Council's efforts in this direction and at times the civil arm of their own government as well. They had been marching resolutely forward to attain objectives determined upon before the actual application of force.

The fundamental issues underlying Japan's special position in Manchuria are essentially political and legal, based upon the treaties and notes signed in 1905 and 1915. The validity of the 1915 agreements—which were signed as a result of the presentation of the infamous Twenty-one Demands—is a question which the Chinese Government has reserved to determine at any opportune moment. This continual threat keeps the Japanese in an aggressive mood and makes difficult any conciliatory policy aiming at mutual development of Manchuria's vast economic potentialities.

A second source of dispute is to be found in the leases by which an increasing area of land has been brought under the administration of the Japanese government-controlled South Manchuria Railway Company—the S. M. R. The Chinese have struggled constantly to prevent the Japanese from leasing more land and acquiring additional mining rights. Another point of disagreement originates in the nature and extent of Japanese administration of the gradually expanding S. M. R. areas. Especially acute has been the question of the taxation of Chinese nationals living within these areas. Still another constant source of dispute is the stationing of regular Japanese soldiers, at times as many as 15,000, at points along the S. M. R.

The Chinese maintain that these "guards" should have been withdrawn, according to treaty stipulation, when Russian forces were withdrawn, first by compulsion in 1917 and later, in 1924, by agreement.

Finally, the major dispute between the two nations, *which is an immediate* cause of the present crisis, originates in the development of Chinese-controlled railways in Manchuria. For the construction of some of these lines, such as the Kirin-Tunhua line and the Ssupingkai-Anganchi line, the Japanese have advanced loans on the understanding that these railroads should be feeders to either the S. M. R. or the Korean railway system. Since 1925, however, the Chinese have decided to develop without Japanese loans their own railway system in Manchuria, with the port of Hulutao as an outlet. The rapid development of this system and its port has caused the S. M. R. authorities much concern. The official policy of the present government toward this competing system may be summarized as "* * * not to prevent China from building profitable railways in Manchuria so long as these lines do not strangle the South Manchuria Railway." How far certain interests in cooperation with the military clique are willing to go to protect their $1,000,000,000 investment from "strangulation" and to maintain their prior hold on the development of South Manchuria, the present crisis clearly reveals.

The events leading up to the present impasse began with the order of Marshal Chang Hsueh-liang on Dec. 29, 1928, to fly the Kuomintang national flag over official buildings in Manchuria, signalizing that henceforth Manchurian policies would be in harmony with those of the Nationalist Government at Nanking. The Japanese thus found themselves confronted with an increasingly unfavorable situation. Not only were their plans for the development of Manchuria being thwarted but they commenced to suffer a decline in profits through the increasing competition of the Chinese-controlled Manchurian railway system. In June, 1931, the dividends of the S. M. R. were reported to have been reduced from 11 to 8 per cent.

In spite of the difficulties encountered with Chang Hsueh-liang's régime, Baron Shidehara, Japanese Foreign Minister, continued to pursue his traditional "friendly policy" toward China. Speaking before the Diet on Jan. 22, 1931, he said in reference to the Manchurian situation: "Nor can it be believed that China on her part harbors a design to reduce the South Manchuria Railway to ruin." In harmony with this policy E. Kimura, a director of the S. M. R., went to Mukden to negotiate with Marshal Chang for a settlement of the particular problem of "parallel" or competing railways. Though he persisted in his efforts into the Summer of 1931 he met with no apparent success. An increasingly hostile spirit confronted him and by May that spirit had spread to Japan. As a result, on May 29 the Foreign Office received a resolution passed by the Japanese National Chamber of Commerce calling on the government to uphold Japan's rights and interests "absolutely." Furthermore, it called upon the "* * * Japanese people generally to pay close attention to the anti-Japanese attitude which China has been adopting of late * * * [and to study] carefully the measures to be taken to cope with the situation."

Hostile feelings were heightened on July 2, when Chinese farmers attacked a Korean "settlement" at Wanpaoshan, near Changchun. The trouble, which arose ostensibly over certain irrigation works constructed by Koreans, resulted in a number of deaths and the dispatch of Japanese troops to protect their "nationals." On the following day Korean mobs commenced a retaliatory attack on Chinese residents in Korea, which resulted, through the criminal negligence of local Japanese authorities, in the massacre of over a hundred Chinese. As a

consequence another boycott against Japanese goods was launched in China.

Baron Shidehara, nevertheless, persisted in his conciliatory policy. He ordered Mr. Shigemitsu, the new Japanese Minister to China, to proceed to Nanking for negotiations. On Sept. 16 the Minister reported that he had secured the consent of the Finance Minister, T. V. Soong, to a joint commission for examination and settlement of the outstanding issues in Manchuria. This news was published in Japan on the following day, but it came too late. During the night of Sept. 18 the Japanese militarists took charge of affairs and launched an attack on Marshal Chang's forces in Mukden. The military phase of the Manchurian crisis had begun.

For years the civil and military arms of the Japanese Government have struggled for the control of foreign policy. Since 1922 the balance has tended slightly toward civilian control, especially since the advent to power of the Minseito Government under Prime Minister Hamaguchi in July, 1929. Through his liberal leadership the navy, at the London naval conference in 1930, sustained a "defeat." The Premier's reward for accepting additional limitations on naval armament at the conference was martyrdom. He was shot and fatally wounded by a nationalist fanatic. The army men, foreseeing a similar setback at the forthcoming disarmament conference and faced with an immediate demand for retrenchment for budgetary reasons, began to grow restive. A forward step was taken in bringing about the resignation of General Ugaki as Minister of War and the installation of their "strong man," General Minami.

At this juncture the issues in Manchuria reached an acute stage. In June the general staff decided to obtain approval for increasing the Korean garrison from two to three divisions. Early in July they took steps to increase the garrison in Manchuria. The Wanpaoshan affair played directly into their hands. Finally, on Aug. 4, at a conference of divisional commanders, General Minami, Minister for War, spoke of the dangers in Manchuria and Mongolia, urged an increase of the garrisons in Korea and Manchuria and condemned the advocates of disarmament as "blind to the actual conditions and guilty of propaganda inimical to the army and the State." His words received wide publicity. The Cabinet remonstrated with him for his indiscreet statements, which jeopardized the attempts of the Foreign Office to settle the issues through diplomatic channels. The General, however, knowing that his resignation meant the fall of the Cabinet and resting secure in his constitutional right of direct appeal to the Throne, remained obdurate.

All that the militarists now needed was an aroused nation demanding a strong policy in China's three eastern provinces. With the publication on Aug. 17 of the news that a certain Captain Nakamura had been murdered by Chinese soldiers in Manchuria while traveling under a Chinese passport, a simple, colorful incident was at hand to arouse popular passions. The murder apparently occurred on June 27, but it was some time before the news reached Japan. Even then its publication was suppressed by the Foreign Office because of the delicacy of Sino-Japanese relations. Upon investigation it was discovered that Nakamura had traveled under a Chinese passport, as an educator, and in civilian clothing. The Japanese War Office, however, discovering that he was a Captain, insisted upon the publication of that fact. For some weeks a struggle ensued between the two arms of the government, the Foreign Office insisting upon publication of the news as the assassination of Mr. Nakamura, an educator. Finally the War Office released the account according to its own interpretation. From that time the "war psychology" of the Japanese public grew apace.

At a mass meeting of 300 military

reserve officers at Nara on Aug. 31, resolutions were passed favoring a strong policy in Manchuria and Mongolia and expressing opposition to disarmament. Further, it was decided to propagandize these views. Early in September, General Minami, at a dinner to 500 reserve military officers, voiced his opposition to disarmament and budgetary reduction, urging his listeners to disseminate national defense ideas and to demand a strong policy in Manchuria and Mongolia. By Sept. 10 a large section of the House of Peers and even certain members of the Minseito, or government party, were opposed to the Foreign Office's conciliatory policy, while the jingo press was rapidly swinging the public into line.

On Sept. 15 General Honjo mobilized the forces of the Kwantung garrison and awaited only a fresh excuse to commence action—the Nakamura episode was about to be settled diplomatically. The militarists discovered the pretext in the alleged blowing up of a section of the S. M. R. tracks by Chinese soldiers at Peitaying, near Mukden. With a swiftness and efficiency that revealed carefully laid plans the Japanese forces set about, on Sept. 18, to disarm or disperse Chang Hsueh-liang's forces and to bring about the collapse of his régime. The aim of the militarists in Manchuria since that date has been simple enough—first, to drive out or reduce to submission all Marshal Chang's forces north of the Great Wall; secondly, to assist in the establishment of a new Manchurian régime which would be independent of Nanking and "friendly" to Japan's expanding interests in South Manchuria and Inner Mongolia and with which the government could negotiate successfully for the settlement of some 300 alleged disputed cases.

The Japanese militarists in carrying out their policy brought about an actual, if not a technical, state of war. They flouted pledges made by their government as signatory to the covenant of the League, the Kellogg Pact and the Nine-Power Treaty. Though confronted by an intensely aroused public opinion demanding retaliation, the Nanking Government decided to seek an amicable settlement by appealing to the signatories of the Paris Pact and invoking Article XI of the League covenant. As a result the Manchurian crisis was elevated from the plane of a local conflict to the realm of international politics.

The League Council, in response to China's action, adopted a resolution on Sept. 22 calling upon the Japanese and Chinese Governments to withdraw their troops from the zone of conflict and to abstain from acts liable to aggravate conditions. The following day Secretary of State Stimson sent identical notes to the two governments of the same tenor as the League resolution and informed Geneva accordingly. Both governments accepted the resolutions. Dr. Alfred Sze, Chinese delegate on the League Council, then reiterated his government's demand for an immediate withdrawal of all Japanese troops to the railway zone and urged the formation of a neutral commission to assist in restoring normal relations between the two countries. In turn K. Yoshizawa, the Japanese delegate, stated that his government had no territorial designs in Manchuria, but insisted on direct negotiations with China without interference of third parties, promising that Japanese troops would gradually be withdrawn to the railway zone unless the actions of Chinese soldiers or bandits prevented such action. On Sept. 30 the Council unanimously adopted a resolution, in which it stated "* * * its responsibility to help both parties secure a complete and prompt withdrawal of the armed forces of Japan and full re-establishment of the status quo ante. * * *" It then adjourned until Oct. 13.

Meanwhile, Japanese military planes on Oct. 8 had bombarded the city of Chinchow, which Marshal Chang had selected as his temporary capital after

having retreated from Mukden. This flagrant act was a clear sign that the militarists were still in the saddle and led to a stiffening of the Council's attitude following a decision to reconvene on Oct. 13. Secretary Stimson, moreover, dispatched a note to the American consular representative at Geneva for delivery to the League, in which he stated that it was "* * * most desirable that the League in no way relax its vigilance and in no way fail to assert all pressure and authority within its competence toward regulating the action of China and Japan. * * * On its part the American Government, acting independently through its diplomatic representatives, will endeavor to reinforce what the League does, * * *" and would invoke the Paris Pact and the Nine-Power Treaty should it seem advisable. Washington also offered to appoint an observer to sit with the Council if invited to do so.

Much encouraged by the support of the United States Government, the Council's first task upon reconvening was to provide a seat for the American representative. Kenkichi Yoshizawa, Japan's delegate to the League, expressed the vigorous opposition of his government to this action by casting the one vote against seating the American representative. Nevertheless, the invitation was extended and on the following day Consul General Gilbert of Geneva was present at the Council table. He was carefully instructed by his government to take part in the deliberations only when they related to the Paris Pact. The Council, on Oct. 17, decided to invoke that pact, inviting all signatories thereof to dispatch identical notes to China and Japan reminding them of their obligations under Article II.

The reaction of the Japanese Government to this increased pressure was the presentation, on Oct. 20, of five points as a basis for negotiations which went even further than previous statements. These "basic principles" were: (1) Mutual repudiation of aggressive policy and conduct; (2) respect for China's territorial integrity; (3) complete suppression of all organized movements interfering with freedom of trade (specifically the boycott) and stirring up international hatred (including disparaging references to Japan in Chinese textbooks); (4) effective protection throughout Manchuria of all peaceful pursuits undertaken by Japanese subjects, and (5) respect for the treaty rights of Japan in Manchuria. Under the last point Japan was seeking to prevent the Chinese Government from opening in the future the question of the validity of the treaty and notes of May, 1915, by which Japan's special position in Manchuria was extended to ninety-nine years or to the close of the present century.

The Chinese countered with a memorandum containing their proposals: (1) No negotiations until Japanese troops were withdrawn; (2) a neutral investigation during and after withdrawal; (3) reparations for the damage committed, and (4) establishment of a permanent board of arbitration and conciliation between Japan and China. The first point has been a most vital one at issue before the Council, because the Japanese have firmly insisted that negotiations must precede and provide a basis for evacuation. Unable to bring the disputants together on this and other points, the Council, on Oct. 24, adopted a resolution by a vote of 13 to 1, Japan dissenting, which called upon Japan to withdraw its troops within the railway zone of the S. M. R. by Nov. 16. The Council then adjourned, not to meet again until that date.

During the second period that the Council was not in session the Japanese military clique once more resumed its command of the course of events. It still had two objectives to attain—first, the forcing of Marshal Chang's troops southward from his temporary capital at Chinchow to within the Great Wall; and, secondly, the capture of Tsitsihar, the capital of

Heilungkiang Province of North Manchuria, and the occupation of the Chinese-controlled railway leading to it, a railroad whose construction had been financed in part by the S. M. R. Tsitsihar and a portion of this railway were held by General Ma Chen-shan, who still professed loyalty to Marshal Chang. As it was necessary to cross the Chinese Eastern Railway in order to reach the provincial capital, Tokyo informed Russia that this line, in which Moscow has vital interests, would not be damaged. The Soviet Government in reply interposed no objection to an extension of the sphere of action to North Manchuria as long as their interests in that area would be respected.

When the League Council convened on Nov. 16 at the Quai d'Orsay in Paris, Japanese troops had failed not only to withdraw to the railway zone, but were actually fighting General Ma's forces near the Nonni River. Even while the League Council was sitting, the Japanese military continued their northern drive, attaining their objective with the capture of Tsitsihar on Nov. 19. The League, however, persisted in its efforts to bring the disputants together on a compromise plan which would entail evacuation under the eyes of neutral observers. The gravity with which the situation was held at this stage by Washington was reflected in the instructions given Ambassador Dawes to be present in Paris during the meeting of the Council. But he was instructed not to take the place previously occupied by Consul-General Gilbert, a decision generally considered to be a concession both to Japanese feeling in the hope of strengthening the hand of the civilian government, and also to the Senate isolationists who would shortly have the opportunity to express their opposition in the American Congress.

Throughout the remainder of November and the first part of December, the Council continued its tireless efforts to draft a resolution which would be a compromise between the conflicting demands and counter-demands of Nanking and Tokyo. Progress was achieved with the acceptance by both governments of a commission of inquiry: Japan apparently understood that the commission would investigate China as a whole and would not supervise the movement of troops nor intervene in the direct negotiations between the two parties; China, on the other hand, demanded the assurance that the formation of a commission would not delay the withdrawal of Japanese forces.

Meanwhile much concern was aroused on Nov. 27 by the dispatch southwestward from Mukden in the direction of Chinchow of a large Japanese force, an action taken in spite of the definite pledge of the Japanese Foreign Office two days earlier that Marshal Chang's capital would not be attacked. The following day the troops were incontinently ordered to return to Mukden. This sudden "retreat" of the militarists was an encouraging and unmistakable victory, however temporary, for the civilian government in Tokyo.

In view of the War Office's determination to bring about the withdrawal of Marshal Chang from his temporary capital at Chinchow, the League undertook to establish a neutral zone about that city. The Japanese militarists, however, reasserted on Dec. 6 their intention to drive Chang Hsueh-liang's forces south of the Great Wall. Meanwhile they would withhold action, temporarily, to give him an opportunity to withdraw peacefully. Chinese public opinion by this time was aroused to such a pitch that Minister Alfred Sze informed the League that Marshal Chang's forces would not evacuate Chinchow, but would "fight and die there if necessary."

Negotiations, however, took a turn for the better, as was revealed at an open meeting of the Council on Dec. 9.

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Secretary Stimson's Task in a Troubled World

By PRESTON W. SLOSSON
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LIFE often wastes its best dramatic situations on essentially undramatic actors. Henry Lewis Stimson, the present Secretary of State, is a case in point. No element of romance was lacking to his career; one can imagine the use a Roosevelt would have made of it. A Federal District Attorney in 1906, he held a spectacular office in the metropolis and won renown as a "trust buster" when that rôle was most popular. In 1910 he stood as Roosevelt's choice for Governor of New York when the most colorful of modern Presidents staged his "return from Elba." In 1911 he was Secretary of War under Taft. During the World War he became Colonel Stimson and made an enviably brilliant war record. In 1927 he was the civil arm of our intervention in volcanic Nicaragua. He succeeded the picturesque Leonard Wood as Governor General of the Philippines. Since becoming Secretary of State he has had to deal with diplomatic tangles caused by revolutions in half of Latin America, to negotiate with European powers at a period of unusual tension and to work for peace in Asia while still avoiding entrance, if possible, into the seven times heated furnace of Manchuria. When chosen for the highest office in the Cabinet, the selection was almost universally applauded, even by that portion of the press which had little but blame for the rest of the Hoover Administration.

Yet even today, though one of the best liked of President Hoover's official family, Secretary Stimson is one of the least known. His early career is buried in old newspaper files and was forgotten by the general public during the long interval which separated the Taft and Coolidge Administrations. Cartoonists have passed him by with little notice. Journalists have not been able to make much copy out of him. Outside his circle of personal friends—a wide one, to be sure—not many have a clear image of his personality. He speaks as he writes, clearly but coldly. The art of running for office and bidding for votes he does not understand. In the 1910 campaign his friends urged him to "take a crack at those fellows. Refer to them by their first names and do it with a sneer. This isn't a case being argued in court. And for Heaven's sake make a gesture or two when you speak." The advice was given in vain. The gestures would not come, and Mr. Stimson found himself referring decorously to "the views of Mr. Murphy" or his "points of disagreement with Mr. Sullivan." In his own quiet way combative enough, he simply could not bring down the house with a loud clashing of steel in the Roosevelt manner. Perhaps it is as well that he did not try, for nothing is more pathetic than a public man trying by art to be what nature never made him. One remembers that familiar and pathetic photograph of President Coolidge peering wistfully from the midst of a vast, enveloping cowboy suit.

There is one anecdote which nearly

every biographer of Colonel Stimson has told and I do not wish to be the first to break the tradition. In those days he was Sergeant H. L. Stimson in Squadron A of New York's militia. Riding through Rock Creek Park in the national capital, he heard his old friend Elihu Root, then Secretary of War, call out: "By order of the Secretary of War, Sergeant Stimson will report at once in person to his Commander-in-Chief, the President of the United States." Sergeant Stimson obediently turned his horse to the stream. The bank was steep, a spring freshet was in flood, but he made the difficult crossing and emerged, damp but undaunted, on the other side. Both Root and Roosevelt expressed concern at his danger, but Stimson merely replied that a soldier's duty was to obey orders without question. He then received the further command to go home, change his clothes and—in some versions of the story—to take a good stiff drink. The incident is said to have much to do with President Roosevelt's subsequent interest in his career; Roosevelt thought that the officer who could turn at the word of command from a militia carpet knight to a rough rider might be a Federal prosecutor who could scare the evildoers on Wall Street.

The story is a good one and no doubt, as the biographers say, does typify Mr. Stimson's unquestioning soldierly obedience. But does not another significance lie in the fact that it is the only personal anecdote about him which every one seems to know? Legends and anecdotes have not clung to him, and so this one has the undue prominence which comes from isolation. On the prairie, so runs the proverb, every ant hill is a mountain and every bush a forest tree.

Henry Lewis Stimson was born in New York City on Sept. 21, 1867. His father, a distinguished physician, had served on General Schofield's staff during the Civil War. His mother died when he was very young; his father was increasingly absorbed in his exacting vocation, and the boy would have had a lonely childhood had it not been for the close comradeship of his uncle, Henry A. Stimson, one of the leaders of the Congregational ministry. The unknown and usually unreliable author of *Washington Merry-Go-Round** says with absolute accuracy that "in the life of Henry Lewis Stimson, his namesake the Rev. Dr. Stimson played a great part—probably the most important part any individual has played." He is further right in stressing the fact that Dr. Stimson's influence was to widen and liberalize the mind of a boy whose greatest danger was that he might grow up too conventional and conservative to wrestle with the problems of modern democracy. By inheritance and instinct, young Stimson was and is today a nationalist, a patriot and a soldier, but the fact that he is also an internationalist and a worker for world peace must owe much to contact with his uncle's thought. Without that influence he might have ended another Henry Cabot Lodge, sweeter tempered to be sure, but with quite as contracted a horizon. He was educated in a conventional Eastern fashion—first at Phillips Academy in Andover, then at Yale and then Harvard Law School, and he became a corporation lawyer under the eminent wing of Elihu Root. A legal career lay before him, probably leading ultimately to a Federal judgeship, and he would have been content. But fate intervened to hurl him into one of the liveliest party battles in the history of New York State.

As Root rose in the world he did not forget his young partner. He called him to the attention of President Roosevelt, who made him United States District Attorney for the Southern District of New York. He took part in the prosecution of sugar

**Washington Merry-Go-Round*, p. 109. Parenthetically, it is worth noting that the sketch of Secretary Stimson in this book is the most nearly sympathetic one accorded to any of President Hoover's political associates.

trust frauds, in the prosecution of the New York Central for rebating, in the trial of the notorious financier, Charles W. Morse, in closing down the "personal column" of the *New York Herald,* which had become a cover for immoral purposes. Roosevelt felt that his selection had been more than vindicated and in 1910 picked Stimson as his personal choice for Governor of New York. There had as yet been no open break between Taft and Roosevelt, but the former President was eager to re-enter politics and chafed at the thought that his native State had become the complacent province of Boss Barnes and his Albany ring. At the Saratoga convention Roosevelt forced Stimson's nomination down the reluctant throats of the professional politicians. He would not have been a first choice with them in any case, but it was as "Roosevelt's man" they hated and fought him. The Democrats carried their candidate, John A. Dix, into office, partly because the reactionaries, defeated at the convention, took their revenge on election day, preferring Tammany to Roosevelt. But this was not the only factor in Mr. Stimson's defeat. He was not a vigorous campaigner and he faced a Democratic tidal wave that submerged nearly the whole nation. Even with a united party leadership it is doubtful if any Republican could have won that year.

The failure of Roosevelt and Stimson was hailed by the short-sighted as the end of both political careers. Instead, it brought Roosevelt out from the State to the national arena and heralded the broader conflict of 1912. As for Mr. Stimson, President Taft had the discernment to see that an unsuccessful campaigner might be a very competent administrator and placed him in the Cabinet as Secretary of War. It proved to be one of the best of President Taft's appointments, which were not usually fortunate. Secretary Stimson was a happier man at the desk than on the stump and he was happier yet when visiting lonely army posts in the Far West. When he visited a fort or encampment he would mingle with the crowd and pick up an army rifle to practice marksmanship with the rest. Sometimes at the first shot he would break the glass bottle which the rest had been firing at in vain. This greatly raised the prestige of the civilian War Secretary with the regular army men; their legal superior was no tenderfoot! The quietly efficient administration of the War Department under Stimson laid strong foundations for the day of testing in the World War. He gave more value, however, to the Taft Administration than he took from it, for the landslide of 1910 was followed by a greater one two years later and once again he was among the victims. Secretary Stimson had become too prominently identified with Republican politics to hope for important office during the next eight years. In 1915 he was an effective member of a constitutional convention in New York (the same convention in which Alfred E. Smith first won general recognition as an administrative expert and legal reformer), but for the most part the law was his occupation and the life of a country gentleman his recreation. These were years of political eclipse, yet made bright by gallant service in the World War, but he could not or would not turn his war record into political coin. This was not all modesty; it was partly a deliberate preference for private as compared with public life. Even the return of the Republicans to power in 1920 did not make him ambitious.

Happiness to Colonel Stimson means horses, dogs, a good gun, a rolling countryside to ride, a Summer home in the more rural part of Long Island, neighbors to drop in by the evening fire. Arthur Page in the pages of this magazine (April, 1929, page 11) has given us an attractive glimpse of the annual Autumn festivals on his country place: "The fields stretching south of his house are filled with

crowds, in one direction men at the traps shooting, in another local horses racing over the jumps in the Colonel's fields, boys racing barrels down and up a steep hill, pushball game, not to mention a tent which contains cider, doughnuts and a constant stream of small boys. The *Long Islander*, the paper Walt Whitman founded, speaks of the host on these occasions as 'Neighbor Stimson.' And this activity is as typical as his services in Nicaragua or the Philippines."

Nevertheless, Nicaragua and the Philippines dragged Cincinnatus away from his plow. As American representative in Nicaragua in 1927 he found two rival political parties, each unwilling to permit an election until its own military ascendency had been established, because each knew from bitter experience that no opposition ticket could expect a peaceful success. General Pershing's unhappy experience with the Tacna-Arica plebiscite in Chile convinced Colonel Stimson that a fair election with one party in control of means of military coercion was hopeless to expect. He therefore proposed the drastic step of complete disarmament of both parties. Law and order would then be maintained by a native constabulary organized and officered by United States Marines. The experiment was a bold one and not wholly successful; to disarm Nicaragua was as formidable a task as it would be to disarm Chicago, with the natural difficulties of the jungle added to the task of the police. Both Conservative and Liberal leaders agreed to turn in their arms, but the insurgent Sandino, defying the orders of Moncada, his party leader, took to the bush and continued a guerrilla warfare for some months. It may be doubtful if even such blessings as peace and public order are ever gratefully received at the point of foreign bayonets, and the national sensitiveness of small nations seems to vary inversely with their size. At all events, Mr. Stimson's labors resulted in the first free and fair Nicaraguan election and a peaceful transfer of power from one party to the other. He carried with him, too, the good-will of most of the Nicaraguans; even those resentful patriots who could not reconcile themselves to the intervention of the United States conceded his personal sincerity and friendliness.

From 1927 to 1929 Colonel Stimson was Governor General of the Philippines. This was another thorny and ungrateful task. Governor Harrison had run the islands with a lax rein and Governor Wood with a tight one; the one method permitted native maladministration, the other roused native resentment. A cloud of doubt overhung and still overhangs the relations of the islands to the United States; we have promised eventual independence and set no date for it; many Filipinos must feel like the snakes which St. Patrick shut up, promising to set them free "tomorrow," with each new day turning out to be merely another "today"! Governor Stimson offered no solution for the Philippine question. He went to the islands neither as liberal nor as imperialist. He refused even to discuss independence with the islanders, saying that the matter was not within his jurisdiction and must be decided by Congress. But he did cautiously reintroduce much of the freedom of party government which had disappeared under Wood. Maximo M. Kalaw has succinctly stated his policy: "The administration established by Governor Stimson lies midway between the Harrison and Wood régimes. The personal nature of the Wood régime gave way to a system which has attempted to approach a responsible type of government, with the administration becoming more and more responsive to the electorate and the Legislature. * * * A party Cabinet has been established. The Council of State has been enlarged to include the majority floor leaders of both houses of the Legislature so as to make it more representative." Some American residents on the islands

were not so well pleased as the Filipinos. They thought that Stimson's liberal régime had been too lax and that cormorant professional politicians, kept at bay by Wood's pro-consular sternness, had been permitted once more to feather their own nests. Whatever view be taken of Governor Stimson's service in the Philippines, it was too brief to leave a very lasting impress save, perhaps, in one respect. When the late Dwight Morrow went on his fruitful expedition to Mexico he said that, while he did not profess himself able to master all phases of the Mexican question, at all events he could like the Mexicans. In a similar spirit Governor Stimson made up his mind that he could like the Filipinos. He succeeded, and in doing so made them like him.

The Nicaraguan and Philippine assignments sufficiently recalled Colonel Stimson to popular memory that when President Hoover formed his Cabinet the press indulged in speculation as to whether he would receive the command, "Friend, come up higher!" Perhaps the post of War Secretary, which he had under Taft, would have seemed the most natural appointment, but his elevation to the Department of State was well received. Colonel Stimson had not had any particular association with the new President; he was not one of the "boy scouts," but a certain like-mindedness brought the two men together. Both were reticent, almost inarticulate; conservative in domestic politics and internationalist in world outlook; both had come into politics from the outside without mastering the arts of electioneering and party management. The two men have formed a good team. President Hoover did not treat Secretary Stimson as President Wilson did Bryan or Lansing, as a mere clerk to sign diplomatic correspondence embodying the Presidential policies; neither did he simply turn the State Department over to his secretary as President Harding did in the case of Hughes. There are several indications that with a freer hand Secretary Stimson would have followed a slightly bolder foreign policy, but the difference would not have been great. Both Hoover and Stimson are kindly disposed toward the League of Nations and devoid of the parochial fears that trouble the Borahs and the Johnsons, but both are moderate men, inclined if anything toward over-caution, and they are well aware of the checks imposed by a reactionary Senate, a suspicious press and a largely indifferent public.

The steps thus far taken have been timid enough—a one-year moratorium on international war debts, a slight naval limitation, an "observer" at the League. Even if this Winter should add to them membership in the World Court, the United States will be still trailing in the rear of the international procession instead of boldly leading it. But our direction has changed; we are walking, however haltingly, toward the world and no longer away from it. It is for this right-about-face that President Hoover and Secretary Stimson may be longest remembered when their work is set down in the book of history.

In his new office Secretary Stimson was more than ever handicapped by his chief political defect, a lack of skill in handling the tools of publicity. It took him some time to establish effective relations with the press. Sometimes there has been bad "timing." A government fell in Brazil immediately after the United States had given its diplomatic backing against the rebels, and Stimson's critics sneered "Wrong-Horse Harry!" As a matter of fact, not only by diplomatic precedents established under President Wilson but by positive treaty obligations as well, the American Government had no right to follow any other course. But the explanation was so belated that it never caught up with the original rumor that the Department of State had been merely gambling in Brazilian politics and had "guessed wrong." In warning Soviet Russia out

of Manchuria the American Government received so sharp a snub from the Soviet Foreign Office that the substantial victory—Russia's altered attitude toward China—was effectively concealed. The London conference succeeded at the very point where diplomacy had previously broken down —the ratio of British and American cruiser strength. But the treaty was tepidly received; it was less dramatic than Secretary Hughes's coup at the Washington conference, and the fact that it provided for a limitation on future building rather than for the actual wholesale scrapping of existing tonnage disappointed the pacifists. Premier Laval's visit to the United States was so successfully "secret diplomacy" that both continents stood bewildered, vainly trying to piece a consistent story out of President Hoover's dry and reticent public statement and Secretary Stimson's franker and more detailed chat with the newspaper correspondents. An analysis of the situation seems to show, however, that there was not so much a divergence of policy between President and Secretary of State as a divergence of opinion as to how much should be told to the press.

In the Manchurian crisis Secretary Stimson was caught between two fires. To give any cooperation at all to the League of Nations was anathema to most of the politicians of his own party, but to withhold that cooperation would involve the risk that American policy in the Orient might run athwart the League policy and sink it, like ships that collide in a fog. With the support of the President, he chose the far-sighted course, risking the wrath of narrow-minded partisans who would rather witness a bloody war than share credit with the League for halting it. Whatever may be the fate of this particular tangle, the step was the boldest taken by an American statesman since Wilson brought the covenant back from Paris. While it does not in any way commit the United States to union with the League, perhaps Senator Johnson is right in thinking that it did something almost as important. It established, and for the first time, the diplomatic precedent that the United States, the one nation outside the League powerful enough to block its action (for, Bernard Shaw to the contrary, the economic and political "weight" of the United States is that of six Russias), can be depended on for sympathy and support. By appealing to the Kellogg Peace Pact as an additional guarantee, Secretary Stimson achieved a threefold diplomatic triumph—he gave the United States, a non-League member but an adherent of the peace pact, a right to protest against Japan's occupation of Manchuria; he brought the pact and the League into touch as a common program for peace, instead of remaining two isolated and even rival programs; and he "implemented" the pact, giving it body and reality for the future. Whether immediate success crowns the venture or not is comparatively a minor matter. There are European problems ten times as dangerous to the general peace of the world as any conflict in the Far East, and it is the attitude of the United States toward Europe that will really determine the international politics of the next century.

But Secretary Stimson will not live to see the full ingathering of his crop. He will in a few years cease to be a public servant and again be his own master. Then, trudging the hills with a gun on his shoulder and a dog at his heels, he will be a happy country squire again with no more diplomatic nightmares to trouble his deep, ambitionless contentment.

Is the Tariff a Cause Of Depression?

By SUMNER H. SLICHTER

[The following article on the effect of tariffs upon the international economic structure presents a point of view in opposition to that put forward by Senator Reed Smoot in "Our Tariff and the Depression" which appeared in November CURRENT HISTORY. The author of this article is Professor of Business Economics at the Graduate School of Business Administration of Harvard University. He is also the author of a recently published study, *Modern Economic Society.*]

WHEN the Wiggin Committee of the Bank for International Settlements on Aug. 19 told the world that tariffs should be lowered, it was simply repeating advice which had been given many times during recent years. On April 21, 1931, a similar recommendation was made by General W. W. Atterbury, the former Republican National Committeeman from the protectionist stronghold of Pennsylvania. But the advice has been little heeded, in part because the man in the street does not clearly understand how and why rising tariffs have been undermining his prosperity. Tariffs, of course, are not the only reason why a large part of the world during the last two years was driven off the gold standard, why the harbors of Germany were congested during the Summer of 1931 with vessels that could not be unloaded because there was no means of payment or why wheat sold for the lowest price in several centuries. Nevertheless, the trade barriers that have been raised during recent years have had much to do with all these matters. They have been a major influence in making the world vulnerable to depression and in intensifying the slump when it came. Prosperity, it is safe to say, will not be established on a reasonably solid foundation until there have been substantial reductions in many tariffs.

In few periods in the world's history were tariff barriers raised more rapidly than in the years immediately preceding the present depression. Between 1925 and 1929, there were thirty-three general revisions or substantial tariff changes, nearly all increases, among the twenty-six countries of Europe, and seventeen among the twenty republics of Latin America. In 1927 and 1928 Australia, Canada and New Zealand made broad tariff revisions, generally upward. Several Asiatic countries achieved the right to make their own tariffs and promptly raised their duties—Siam in 1927, China and Persia in 1928. When prosperity collapsed, the increase in duties continued at an accelerated rate. The advance in the American tariff in June, 1930, was followed during the next eleven months by more or less general upward tariff revisions in twenty-five countries. In two principal ways these rising tariffs have undermined the world's prosperity—first, by misdirecting the investment of capital and thus prolonging and aggravating many maladjustments which had grown up during the war between the supply of commodities and the demand for them; second, by preventing trade from adjusting itself to the new international

debtor-creditor relationships created by the war and the peace treaties.

It is easy to see why rising tariffs have prolonged and accentuated many of the war-time maladjustments between supply and demand. When the world is divided by trade barriers, a new duty or an increase in an old one may lead an industry to expand behind the tariff, despite the fact that the demand for its output at a profitable price does not equal the productive capacity already in existence, but located in other countries. Maladjustments thus aggravated by tariffs did not directly precipitate the collapse of prosperity but they did weaken the economic position of many countries and reduce their ability to resist depression. Moreover, when the slump came, the prices of the overproduced commodities fell more precipitously than most prices, diminishing the purchasing power of many countries and causing the depression to go from bad to worse.

Sugar, cotton textiles and wheat furnish three conspicuous illustrations of these maladjustments. Before the war, Europe was an important producer of sugar. During the war her production fell by half, but this loss was offset by the expansion of output in Cuba, Java and elsewhere. Cuba almost doubled its production, as did Java and several South American countries. Nevertheless, at the end of the war, many European nations sought by high tariffs to restore the sugar-beet industry. The result was that Europe by 1927-28 was producing more sugar than before 1914. Even the United States, which had raised the duty in 1922, was producing nearly 40 per cent more than in 1913. It is not surprising that the industry was in difficulty several years before the depression and that recently the price of Cuban raw sugar sank to 1 cent a pound.

Because the supply of British and German textiles was limited during the war, a rapid growth of the industry resulted, particularly the cotton branch, in the United States, Japan, India and South America. Although the end of the war found cotton manufacturing seriously overdeveloped, Bulgaria, Brazil, Czechoslovakia, Hungary, India, Rumania, Yugoslavia and other nations sought by tariffs to enlarge their production of cotton goods. In all these countries the industry has expanded rapidly. At the same time that this forced growth was taking place, cotton goods were experiencing severe competition from rayon and silk. Long before the general depression it was well known that the industry was in trouble. Even in the boom year of 1929 Great Britain's exports of cotton piece goods were scarcely half the pre-war volume, a decline which directly affected the British balance of trade. That fact, and the severe unemployment among the Lancashire cotton operatives and the resulting burden on the budget, have been among the many grave weaknesses in the British economic situation—weaknesses which eventually culminated in forcing Great Britain from the gold standard.

War and revolution eliminated Russian exports of wheat, stimulating wheat raising in the Argentine, Australia, Canada and the United States, with the result that the output of these countries between 1925 and 1929 averaged nearly 50 per cent above 1909-13. Furthermore, the output has been increased by power plowing and the combine harvester—a technological revolution scarcely less momentous than the McCormick reaper of the last century. In the face of the ever greater overproduction of wheat, some of the largest consumers, especially France, Italy and Germany, have been raising their duties. In November, 1927, France raised her duty to 37.4 cents a bushel; Italy, in July, 1925, imposed a rate of 39.4 cents, and in September, 1928, raised it to 57.7 cents; Germany, in 1925, restored a duty of 32.4 cents, and in July, 1929, raised it to 42.1 cents. Because tariffs, and export-control schemes also, stimulated the

production of wheat but retarded its movement into consumption, the amount in storage more than doubled between July, 1926, and July, 1929, until it attained the highest figure on record. During 1930 the price of wheat declined, but as it did so the duties in many countries were increased. By June, 1930, the duty in France, Italy and Germany was more than 80 cents a bushel. The extreme protection given to wheat by several important consuming countries meant that in the midst of a large and ever-growing supply these countries were encouraging their farmers to raise more wheat and were refusing to buy it, except in small quantities, from the rest of the world. Is it surprising that in December, 1930, in the face of large exports from Russia and of a bumper crop in the Argentine, the price in Liverpool broke to the lowest point in over three centuries? In the Summer of 1931 even this record was broken. The collapse in the price of wheat greatly accentuated the financial difficulties of Argentina, Australia, Canada, Eastern Europe and the United States and indirectly intensified the depression in other countries.

Few people realize how violent were the shifts in international debtor-creditor relationships produced by the war and the peace treaties. Within less than ten years the United States was changed from the largest debtor nation in the world to the second largest creditor nation and Germany from the second largest creditor nation to the largest debtor nation. In addition, there were great increases in the foreign obligations and great decreases in the foreign holdings of many European countries and substantial increases in the foreign debts throughout Latin America and Australasia.

Every one knows that in the long run interest and dividends on international investments must be paid in goods. Consequently, the new debtor-creditor relationships required extensive changes in the flow of goods between nations. For example, they required that Germany, which for many years had an excess of imports, suddenly develop a large excess of exports, and that the United States, which for fifty years had had an excess of exports, promptly develop a large excess of imports. But in a world of steadily rising trade barriers Germany has been unable to build up a large surplus of exports. Failure to obtain sufficient exchange from the sale of goods to pay reparations and interest on the foreign debt has kept credit in Germany scarce and interest rates high. High interest rates attracted enough money to Germany until 1931 to enable her to meet her old obligations by incurring new ones. Unfortunately, however, a large part of Germany's new credits were short-term funds. Naturally, this large short-term indebtedness placed Germany in an exceedingly vulnerable position. Any condition which threatened withdrawal of foreign funds produced a recession in German business, because it limited the ability of German enterprises to obtain credit with which to buy goods. Once a recession started, it was likely to go from bad to worse, because its very existence provoked further withdrawals of foreign funds and prevented the sale abroad of long-term German securities. This weakness in the German situation manifested itself in the Spring of 1929, when fear of the failure of the Young Plan negotiations created a flight from the mark; again, in the Fall of 1930, when the results of the elections caused another flight, and, finally, in the Summer of 1931, when even the moratorium failed to avert an acute financial crisis which paralyzed German business. Certainly the inability of Germany to develop a large export surplus must be regarded as a major factor in precipitating the depression in 1929 and in intensifying the depression in the Fall of 1930 and the Summer of 1931.

The high and ever-rising American tariff has prevented us from develop-

ing an excess of imports. Indeed, so high have been our duties that for many years over 95 per cent of the manufactured articles consumed in the United States have been domestic products. Not only were rates raised in 1921 and again in 1922, but whenever a commodity began to flow over the tariff wall in appreciable quantities the Tariff Commission was disposed to recommend that the President use his authority under the so-called "flexible" clause to increase the duty. Of the thirty-seven changes made in the rates of 1922 under this provision, thirty-two were increases. As a result, our excess of exports over imports, instead of shrinking, as our new position of a creditor nation required, actually grew from $719,000,000 in 1922 to nearly $842,000,000 in 1929.

This failure to develop an excess of imports caused no acute difficulty while loans abroad continued in sufficient volume. But the export surplus was bound to draw gold to the United States in large quantities if, for any reason, the purchase of foreign securities should be seriously curtailed. Trouble started in 1929, when speculation in stocks destroyed the American market for foreign bonds. Gold began to enter the United States in great volume—our net imports of gold in 1929 were about $120,000,000—causing in other countries a credit stringency which was a major factor in precipitating the depression. The depression itself and the political unrest which accompanied it in many countries made American investors still more averse to foreign bonds and reduced the net American export of long-term capital in 1930 to one-third that of 1928. Consequently, when in 1930 one country after another was being forced off the gold standard, the United States, which already possessed a huge surplus of gold, drew about $278,000,000 more from the rest of the world. The high tariff was not the only reason why by the end of 1930 Australia and most of the South American countries had definitely abandoned the gold standard. There were other important causes—excessive and unwise borrowing during the boom period, the inability of these countries to raise new loans, the collapse in the prices of wheat, wool, coffee, tin and other commodities. But the American tariff, by restricting the ability of the world to pay us with goods instead of gold, was a major factor in forcing a large part of the world off the gold standard and in accentuating the depreciation of many foreign currencies.

The depreciation of foreign currencies, in turn, has been a principal reason why the depression has been so much longer and more severe than any one anticipated. Depreciated currencies have made exports cheap in terms of foreign currencies and thus have increased the downward trend of world prices; in addition, foreign goods have become expensive to countries with depreciated currencies, and thus their ability to buy from the rest of the world has been reduced.

Especial attention should be given to the American tariff of June, 1930—an act of almost incredible economic folly. Unlike some recent foreign tariff changes, revision of our tariff was not needed either to protect our exchanges from depreciation or to guard our gold supplies from depletion. On the contrary, the tariff law was passed when we possessed approximately 40 per cent of the world's monetary gold and when, as has been said, we were attracting large additional amounts. During the boom which preceded the depression, many countries borrowed abroad on a large and even reckless scale. When prices collapsed, these countries experienced great difficulty in meeting their foreign obligations and were compelled, in order to conserve their gold supply and to limit the depreciation of their currencies, to restrict their imports and to control the export of gold.

Even six months before our tariff became law, Argentina, Australia and Brazil took extraordinary steps to control the export of gold. The desperate plight of many debtor countries plainly required that every possible aid should be given them to preserve their credit and to meet their obligations by selling goods rather than by exporting gold. This was desirable not only on account of the debtors themselves but of the world as a whole, since depreciation in some currencies tended to pull down the general price level and to intensify the depression throughout the world.

In the face of these facts Congress passed the Smoot-Hawley tariff. Duties were raised or new ones imposed on commodities whose import value in 1928 was $1,133,000,000, while duties were removed or reduced on articles of import whose total value in 1928 was $214,000,000. This amounted to a demand on our part that the world pay us less in goods and more in gold—despite the huge hoard which we already possessed, the weakness in many currencies and the dire need of debtor nations for a better opportunity to sell goods. Although the United States, after working for years to re-establish the gold standard throughout the world, did not deliberately seek to undo its work and to accentuate the depreciation of many currencies, such was the net result of our tariff. If the drastic decline in interest rates here and the premium on dollar exchange had not produced during 1930 a record-breaking export of short-term funds from the United States, our pull upon the world's gold supply would have been far more disastrous.

If prosperity is to be fully restored one of the things to be done is to stimulate the demand for labor and goods by reviving investment on a large scale. This, in turn, requires not only political stability in the countries which seek capital but also moderation in tariffs—particularly those of the lending countries—in order that the flow of trade may adjust itself to the distribution of international investments and that nations may borrow without jeopardizing the stability of their currencies. Of particular importance is moderation in our own tariff policy.

Time was when the United States could practice extreme protection with no disastrous consequences to itself or the rest of the world. This is no longer possible. We are now the second largest creditor nation in the world; adherence to our traditional policy means that we shall attract gold in great volume and jeopardize the gold standard in many countries whenever we fail to lend abroad on a large scale. A few people mistakenly believe that our recent heavy gold losses indicate that our pull upon the world's gold supply has ceased. But these losses are only temporary and have been largely due to the conversion of foreign bank balances and bill holdings here into gold. The effect is to strengthen rather than to weaken our creditor position, which is the basis of our pull on the world's gold. Consequently, we must either develop an import balance or exert a disastrous attraction upon the world's gold supply whenever we fail to lend abroad on a large scale. Every depression is bound temporarily to diminish our lending; a continuation of our present tariff policy will mean that we shall intensify future depressions, as we have the present one, by attracting gold which the rest of the world can ill afford to lose and by menacing the stability of many weak currencies. In addition, we shall retard the revival of business, because the countries which have been forced off the gold standard or which have had the stability of their currencies seriously threatened, will, even after the revival is under way, not easily obtain credit to buy goods from the rest of the world.

The outlook for a general reduction in tariffs, either our own or of other countries, is not bright. The League of Nations has failed to effect even a temporary tariff truce. The best hope appears to lie in the method of reciprocal agreements—either bilateral, as in the case of the recent agreement between Australia and Canada, or possibly multilateral—by which reductions are given in exchange for reductions. The method is not without its difficulties and dangers. Duties may possibly be raised for bargaining purposes, while some concessions may be prevented because the most-favored-nation treaties require that a concession to one country be extended to all countries enjoying most-favored-nation treatment. The method, however, has the important advantage of offering nations which are willing to open their doors an opportunity to have doors opened to them in return. On at least two occasions—after the Cobden-Chevalier treaty in 1860 and the Caprivi treaties in the early '90s—reciprocal agreements have led to substantial reductions in the world's tariffs.

Of the three leading 'ndustrial nations the United States is best able to initiate a movement to reduce tariffs by agreement. Great Britain, absorbed by her present emergency, is turning, for the time being at least, in the direction of protection. Germany can do little, because France more than once has made it plain that she will use her political and financial power to veto attempts by Germany to secure markets through lower tariffs. Is there any prospect that the United States will abandon its philosophy of extreme protectionism? Perhaps it is unreasonable to expect most voters to see the connection between commercial policies and their pocketbooks. Our tariff policy, however, has been molded, in the main, not by the masses of the voters but by a relatively small number of business leaders. Is it unreasonable to expect these men to perceive that extreme protection practiced by a large creditor nation works very differently from the same policy pursued by a debtor nation? Sooner or later are they not bound to see that prosperity for the United States and the rest of the world will not be promoted by our hoarding gold and threatening our debtors with ruin whenever there is a general depression? If and when business men understand this, we may expect many of our politicians to abandon their support of extreme protection and become the champions of moderate duties.

How long will business men require to discover the effects of our present policy? This is a question of great practical importance. Will the experience of the present depression be sufficient? Or must we have another object lesson in the interdependence of nations, must we go through another depression, intensified and prolonged by our pull on the world's gold supply, before our business leaders realize that we cannot add to the world's disaster without inflicting injury upon ourselves?

Flaws in the Hoover Economic Plan

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FOR more than two years the United States has been experiencing an unparalleled industrial depression and a financial strain which at times has approached the nature of a panic. In October, 1931, the Federal Government finally, and perhaps somewhat reluctantly, took steps which together comprise a general program for alleviating the nation's economic difficulties.

What are the origins of the present depression? Views and interpretations differ widely. The writers of the present article believe that in certain fundamental economic conditions during the years immediately preceding 1929 will be found the core of our present unhappy state.

The years between 1922 and 1929, which might well be called a period of expansion rather than of prosperity, were characterized by numerous amazing changes in industrial technology. Mechanized processes in this period achieved something like the cumulation of forty years of thought and practice; scientific management became less a theory and much more a reality, and the ensuing developments were spoken of as a second industrial revolution by entirely unsensational observers. The rapid falling costs of operation which resulted were reflected in a tremendous increase in output per man-hour and in an enormous increase of capacity in nearly all industries. Productivity per wage earner increased 53.5 per cent between 1919 and 1927, and output per man-hour increased even more, since hours of labor were falling. Unit prime costs in manufacturing fell 24.5 per cent between 1919 and 1925.

Prices, however, were not reduced as rapidly as costs. Wholesale prices, after recovering in 1921 and 1922 some of the ground lost in the trough of 1921, appeared to stabilize roughly at a new level. The tendency, if any, was in the direction of a slight fall between 1922 and 1929. F. C. Mills, in *Recent Economic Changes,* shows that wholesale prices declined between 1922 and 1927 at the average annual rate of 1.8 per cent, while the cost of living (which reflects retail prices) increased at the average annual rate of 0.7 per cent.

Price behavior during this period was "abnormal" for a time of business expansion. The most widely accepted doctrines of the business cycle have always emphasized the fact that expansion or "prosperity" is associated with a rising price level. That it was not true in the years 1922-1929 throws some light on the peculiar characteristics of that period and the confusing attitudes of business leaders. We heard of "profitless prosperity," a phrase which reflected naïve concern over falling prices, but which did

*In writing this article, which was completed before the opening of Congress on Dec. 7, Professor Tugwell had as collaborators A. T. Cutler and G. S. Mitchell, both of the Department of Economics of Columbia University.

not take account of falling costs. It was not a "profitless" prosperity in spite of declining prices. We can now see that profits were rising and we no longer wonder that prices did not rise. On the contrary, some extraordinary mechanisms were invented to prevent a greater decline than occurred. In spite, then, of some decline in prices, costs continued to fall more rapidly. F. C. Mills estimates that between 1923 and 1927 the average annual rate of increase in the profits of industrial corporations was 9 per cent. This includes the less as well as the more prosperous corporations.

What became of the profits which emerged from the widening angle between costs and prices? A corporation which found itself possessed of handsome profits had the choice of several methods of disposing of them. It could pay them out as dividends to stockholders. But many corporations earned much more than enough to meet the high dividend requirements of these years and so had a surplus on hand. A corporation could expand its plant by using for extensions and improvements profits not distributed as dividends. It is believed that this process of "plowing back earnings" occurred on an unprecedented scale during the period. Or profits not used in either of these ways could be transferred to the rather modern account called "surplus reserves."

The sudden prominence of this item on the balance sheets of corporations was probably associated with the spread of interest in the business cycle from the universities to the market place. Corporation officers were eager to protect themselves against a possible recurrence of the troubles of 1921. How could such an eventuality be guarded against? It is not current practice to store gold bars in a warehouse. Reserves had to be employed—and profitably. Their use was to some extent guided directly by the banks. Many corporations carried heavy balances, and in these cases the banks disposed of the funds in the ordinary way. Another method was to buy the securities of other corporations. This business of taking in each other's washing was carried to lengths which even now is scarcely realized. Still another use for the surplus reserves was found in the open money market, either directly or through the mediation of banks. The more prosperous corporations poured out billions of dollars in loans to Stock Exchange speculators. This goes far, in fact, to explain the prolongation of the famous bull market. Finally, the profits could be used for lending abroad. Investment opportunities in Europe and in less developed areas were exploited to the full by bankers, who, as we can now see, had a clearer view of their commissions than of the ultimate safety of their clients' funds.

The effect of all these forms of profit distribution was to increase production and to inflate capital values. But it took no account of ways and means to enable the newly produced goods to be *consumed*. Not enough of the earnings of industry found their way into the pockets of the masses, who constitute the principal market for the products of the machine.

This effect, however, was ultimate rather than immediate, perhaps even delaying the depression of 1929. Funds passed to reserve accounts would result at first in increased industrial activity. Factories would run on funds lent by banks or obtained through selling securities; payrolls would be enlarged and goods would flow—into warehouses. But they could not emerge and be consumed unless there was sufficient purchasing power. Steadily attrition set in—an unbalancing process which added to productive capacity but not to the power to consume. Ultimately this created intolerable stresses, until a gradual blockade in the flow of goods caused in the Spring of 1929 what seemed to be a sudden failure of demand.

It is conceivable, of course, that the

necessary purchasing power could have been diverted to the consumers. Were wages, for instance, rising sufficiently to absorb the products of industry in the face of the disposal of funds already described? The period was marked by lengthy discussions of the new prosperity of the American worker and of the doctrine that high wages made for business success, but available facts indicate that in this connection wage increases were of negligible importance. The following table shows average hourly earnings in manufacturing industries as compiled by the National Industrial Conference Board—the figures for agriculture and for mining industries would be less favorable:

Year	Earnings	Year	Earnings
1920	$.61	1924	$.56
1921	.52	1925	.56
1922	.49	1926	.56
1923	.54	1927	.57

That the "high wages" philosophy was more honored in the breach than the observance, should not be surprising. It was undoubtedly to the advantage of each employer that the others should keep wages high, but the immediate gain from paying high wages to one's own workers was not so clear, since at best they constituted the market for a small fraction of the output, while the payroll constituted a major expense. Furthermore, an unfavorable factor of considerable importance was offsetting any wage increases that may have taken place —"technological unemployment." The appearance of new industries or other means of readjustment did not provide for the re-employment of men thrown out of work with sufficient rapidity to prevent the increase of unemployment, even in lush times. Manufacturing industries as a whole showed an actual decline in the volume of employment during the period of "prosperity." Aggregate factory payrolls were barely holding their own.

Besides the relative decline in consumers' purchasing power traceable to these influences the acute distress of the farmers throughout the same period must be considered. That the farmers provide an important market for industrial products is attested by the rôle which "farm relief" played in the politics of the 1920s. Why the farmers did not receive a larger share of the nation's income is a problem we need not discuss now, but the decline in their power to command goods is all too obvious.

Business leaders, confronted by a growing but unwelcome discrepancy between production and purchasing power, resorted to many remarkable devices to stiffen a sagging market. First came an expansion and elaboration of advertising, in the hope of forcing sales on a reluctant public. Another plan was instalment selling. Manufacturers, especially of motors, radios and washing-machines, said in effect to consumers, "Buy now, even if you cannot pay now. Pay later." Sales resulted, but a day of reckoning was to come which consumers could meet only if they had larger incomes. Goods might be sold to foreigners, but export trade, too, was based on credit. Net sales to foreigners during the period were almost exactly balanced by net loans to them. And at the present moment foreign assets appear to be as solidly frozen as many domestic ones.

The accumulated effect of these factors and the absence of strong counteracting forces were sure to produce eventually inadequate consumer purchasing power. As the event showed, the lack of demand became manifest in the Spring of 1929, before the stock market collapse of October. The market for industrial products was slipping—the only possible result of a growing divergence between costs and prices, culminating in profits which, in turn, were distributed in channels of production and speculation rather than final consumption. After the Wall Street avalanche of October, 1929, economic depression became increasingly apparent, and

during the past two years the depression has continued to spread and deepen.

By September, 1931, an extremely precarious banking situation was added to the depression of industry with its accompanying unemployment. Bank failures throughout the country had been increasing for years. New complaints concerning the extent of frozen assets were heard. Furthermore, the hoarding of gold and currency by the general public—"a silent run" on all the banks of the country—had begun to threaten the entire banking system. On Oct. 7, 1931, financial statistics indicated that "cash in circulation" had increased $750,000,000 during the year ending Sept. 30, 1930, in spite of the drop in trade. Public hoarding was estimated to amount at that time to $1,000,000,000.

On the morning of Oct. 7 the newspapers announced President Hoover's six-point plan for the relief of the financial situation. Three of his proposals were concerned with new financial machinery, including a promised revival of the War Finance Corporation. Two of them touched the Federal Reserve System, proposing that the Federal Reserve lend aid to banks already closed, and that Congress be recommended to broaden the eligibility provisions of the Federal Reserve act. The sixth point dealt with the Federal Land Banks, suggesting further Federal subscription to their capital stock.

The most important of the six proposals was that for a new bank pool. A national credit corporation was to be formed to which all banks of the country were urged to subscribe to the extent of 2 per cent of their deposits. The Clearing House banks of New York City, it was announced, had already pledged their share of the subscription. The purpose of the new corporation was to make liquid or "thaw out" the frozen, though sound, assets which were clogging the banking system. It was expected that at least $500,000,000 would be subscribed and that the subscribing banks would receive debentures issued by the new corporation. Later, when the charter of the corporation was obtained, authorization for an issue of $1,000,000,000 in debentures was given.

President Hoover apparently had at least two other major credit plans in mind. Early in October there were indications that a scheme was in the making for the rescue of railroad bonds. The details of this plan have not yet been announced, possibly because the recent rate decision of the Interstate Commerce Commission included a program looking toward partial railroad relief. The other major credit plan, relating to the general field of building-and-loan and real estate operations, was announced on Nov. 14. Twelve home loan discount banks, one in each Federal Reserve district, were to be established under the control of a government board. It was hoped that in this way life would be injected into stagnant mortgage loans on dwellings and farms used for home purposes.

All these measures constitute a plan for checking liquidation and stimulating economic recovery. Through them all runs the theme of "restoring confidence." All apparently are intended to support values which have presumably declined too far.

No steps so important to the economic life of the country as those of the Fall of 1931 could have been taken without some hypothesis, however vague, concerning the origins of our economic difficulties. Although Mr. Hoover has nowhere developed a formal and coherent theory, he has in various statements furnished suggestions; for instance, on Oct. 7, when his first credit plans were announced: "We have met with great difficulties not of our own making. It requires determination to overcome these difficulties and above all to restore and maintain confidence." Again, after one of the conferences with Premier Laval, President Hoover stated: "I have on some occasions stated that

the world is suffering more from frozen confidence than from frozen securities."

The administration's theory of our economic difficulties probably runs much more in terms of European disturbances than of American shortcomings. Granting that speculation ran too high and too long in 1928-29, and that our agriculture has not been prosperous, still the American economy was and is "fundamentally sound." The real blows came from abroad. Political uncertainty in Germany and Austria led to withdrawals of short-term credits in those countries. As the withdrawals took place through London and the bankers there unwisely attempted to stabilize other national currencies while at the same time not forgetting usurious interest, an attack on the pound resulted, forcing Great Britain off the gold standard. Uncertainty spread throughout Europe, ruining our foreign trade and making uncertain both the collection of interest and the principal of the debts owed to us. Thus Mr. Hoover's plan apparently is to calm the debtor countries by a moratorium, to scale down reparations and public debts and to work for currency stability through collaboration with France, which, with the United States, controls three-fifths of the world's gold. Confidence restored, debtors and creditors alike may resume progress.

In the light of the remedies begun and proposed for our own domestic troubles the administration's view seems to be that fear has threatened the American banking structure by driving down the values of stocks, bonds and mortgages held by the banks—values which reflect expected future income, which in turn depends upon prices. But the decline in prices, itself exaggerated, warrants no such drop in security values as has taken place; support here will at any rate preserve the banking structure intact, and the marshaling of credit behind industry, agriculture, the railroads and the banks may relieve uncertainty, stop the decline in price levels and restore opportunities for profitable operation of business. Such is the administration's approach to the problem.

But is this the proper program for mitigating the nation's internal difficulties? Obviously, in some manner or other there should be further deflation of retail prices and attempts to raise the income of that part of the population which spends its money on ultimate goods and services. The first process involves a revaluation of capital goods, including farms; and the second, the maintenance or increase of wage earnings and the spread of a part of the nation's reserve of profits and credit among consumers—perhaps through mass employment on public works or by compensation for unemployment.

Lower prices necessitate a decline in the values of stocks, bonds and mortgages, because those values represent the capitalization of prospective earnings from industrial and land holdings. Such a movement in capital values has been haltingly under way since the beginning of the depression. It has been fought step by step by producers and by banks. The Farm Board and Farm Loan Banks have assisted agriculture in this policy, and many industrialists have doubtless sacrificed volume of sales to maintain nominal prices. Yet if lower prices are needed to match diminished purchasing power, an accompanying decline of capital values would seem to be required.

Such a program of lower prices and security values, with wider distribution of consuming power, cannot be fitted into the credit policy of the administration. The Hoover program foreshadows a reversal of the downward trend of security and commodity prices, and is of no assistance at all in increasing the incomes of employed and unemployed consumers. It is true, of course, that some income for the unemployed should be derived from

that charitable form of relief embodied in the Emergency Unemployment Relief Committee, but this relief is drawn partly from the wage earners themselves. In any event the bulk of unemployment relief will come, as it did last Winter, from municipal governments which raise funds by taxing, directly or indirectly, the rank and file of citizens.

The whole administration program is aimed directly at supporting present values. The National Credit Corporation is to extend to threatened banks the opportunity to liquefy frozen assets; even the psychological effect of its announcement was counted on to stop the precipitous decline in quotations for these assets. If any considerable amount of them should be taken over by the corporation, and confidence failed to develop, lower quotations for such securities might freeze the assets of the corporation, though this would depend on the percentage loans bore to values.

To be safe, a credit pool must be conservative; to be effective it must be generous. To judge from recent pronouncements, the policy of the government in case of difficulty would be to support the corporation with further credit, either drafted from the banks or injected by the treasury. A similar program seems probable to support railroad security values by an indirect use of government credit. For agriculture, credit is to be augmented by government subscription to the Federal Land Banks, thus bolstering agricultural banks whose mortgage holdings, if liquidated, would fail by a wide margin to cover their loans. The whole policy is calculated to save the banks—agricultural, commercial and investment—which are holding paper at valuations representing capitalized incomes far above those obtainable at present price levels.

One instance of the entry of government credit into the banking structure is Secretary Mellon's announcement at the time the National Credit Corporation was being formed, that the debentures of this new body would be "acceptable as collateral against treasury deposits in depositary banks." The United States Treasury, like ordinary citizens, keeps deposits in certain qualified banks but, unlike ordinary depositors, the treasury requires that the bank guarantee its account by putting up collateral in the form of government bonds or other specified gilt-edged assets. These bonds may be taken over by the government in case the bank fails. But, according to the new dispensation, debentures of the National Credit Corporation may be used as the required collateral. This, in effect, unlocks an equivalent amount of government bonds for use in the banking system, and, at the same time, leaves the treasury guarantees in the form of debentures, which, in the last analysis, may be worth only as much as the frozen assets in the portfolio of the National Credit Corporation. The situation is not as serious as it seems, because treasury deposits in the banks amounted only to about $250,-000,000 on Dec. 31, 1930. This sum is not large when compared with the $9,000,000,000 in government bonds which are now held by the banking system as a whole. The treasury's announcement, however, contemplates a link between government credit and the banking system which may lead to further commitments.

John M. Miller Jr., a director of the National Credit Corporation from the Fifth Federal Reserve district, announced on Nov. 10 that, as the Secretary of the Treasury would accept the notes of the corporation as collateral for public deposits, it was hoped and believed that Congress would make these notes eligible as security for postal savings. He also stated that the various States, counties and municipalities may be expected to accept the notes as security for public funds.

In the latest credit plan, that calling for the establishment of twelve home-loan banks to discount home-building assets, there exists a similar link be-

tween government and private credit. In section "g" of Mr. Hoover's statement of Nov. 13, recommending the setting up of these new banks, the following sentence occurs: "These bonds [issued by the new banks are] to be acceptable for security for government and postal deposits." A further item reads: "If the initial capital is not wholly thus provided [i. e. by private subscription], it should be subscribed by the Federal Government." The camel's nose would seem to be getting well within the tent. Mr. Hoover, who has always described himself as one who believes "that government is best which governs least," is now in process of pushing the government into the banking business. At the very least his program may be described as government "bank relief." We are confronted with the prospect of a government holding a bag which may turn out to be empty. Should the National Credit Corporation find that its assets continued to remain frozen, the government, if it is to carry through its present policy, would be driven inevitably to relieve the corporation's straits through some direct or indirect extension of credit, an arrangement which would involve the whole financial system still more deeply with the structure of frozen credits.

Apparently the administration expects its credit policy to reassure the banks and industry and to enable industry, no longer swayed by fear, to resume production. It is not unlikely that such a spurt in business is at hand. Possibly the administration intends to work for an easing of prices and capital values once the immediate banking crisis has been relieved. It remains to be seen what use will be made of the breathing spell which the President has achieved. If reassurance brings encouragement to production, and the banks release credit for that purpose, goods thus produced will have to be sold at prices which shall protect capital at present valuations. Yet it does not seem possible for goods so priced to be consumed in large quantities. If stocks of goods are increased in this manner, and consumers' purchasing power is insufficient to support remunerative prices for them, we are faced with a deepening of the depression and a still lower set of market quotations for securities. If, on the other hand, business activity receives no stimulus, it seems inevitable that the low level of earnings will drive the prices of manufactured goods further down.

These weeks and months of depression are rapidly and inevitably weaving governmental controls into the American economy. The decisions taken now are crucial. Consider the possible results of the present program of extended credits. If these should involve the national finances deeply, and should this present analysis be at all accurate, the government would have in effect a deed of trust on an overvalued agricultural and industrial system. If interest were to be earned, close supervision and better management than has yet been found would be called for; out of such a development one may imagine what pictures of government in business one pleases; none of them would conform to Mr. Hoover's frequently expressed horror of governmental interference. On the other hand, should the government reverse itself, and withhold further support, the failure of many banks, perhaps most banks, would seem unavoidable. Furthermore, we have no guarantee that even then prices and purchasing power would find an equilibrium on which the industrial order of, say, 1925 could be reconstructed. It is conceivable, again, that firm yet delicate steering might escape the dilemma, after the financial crisis is arrested with new credits, by steadily forcing prices, security values and consumer purchasing power into balanced relationship.

Who Are the German Fascists?

By GERHARD FRITERS

[The writer of this article, a graduate of the University of Berlin, has made special studies of the German Fascist movement, and also of the German Social Democratic party. He is at present in America, working under the Faculty of Political Science at Columbia University.]

THAT Adolf Hitler and his National Socialist Workers party (the Nazis) are a growing power in Germany is now beyond all doubt. The opponents of these German Fascists see in them a dire threat to democracy; their supporters laud them as the sole hope of a badly disorganized nation. The whole world fears that if the Hitlerites attain the control for which they are striving, such peace and stability as Europe now enjoys may be seriously disturbed, for the treaty of Versailles is to the Nazis a document which has established an intolerable state of affairs in the Reich, and, come what may, must be altered.

Where has Hitler obtained his great following? From what elements in the German population have come those millions of votes which apparently make imminent the overthrow of the present government and the establishment of a dictatorship along Fascist lines? The party has not always been powerful. In 1923 an attempted Nazi *putsch* in Munich met with little response in other parts of the country. The 2,000,000 votes polled in the elections of May, 1924, dropped to fewer than 1,000,000 later that year, and by 1928 the Hitlerites seemed to be even less formidable. Their campaigns at first were based largely upon an appeal to anti-Jewish sentiment, and the movement appeared to be but a revival of the ephemeral anti-Semitism of the previous generation—of no significance in the solution of the burning problems of the day. Early in 1930, however, a fundamental change took place in party policy, and local elections in the Spring revealed a greatly augmented constituency. The general election of Sept. 14, 1930, increased Nazi representation in the Reichstag from 12 to 107, making the National Socialists the second most powerful group in German politics. Today Hitler claims that his party would win 200 seats were a general election to be held, and in the light of local polling during recent months his statement is not merely a boast. Whence this power and increasing strength?

The answer lies in the fact that Hitlerism is the expression of a middle-class revolt, that the Nazis voice the grievances of a growing body of discontent. Until recently political struggle in the Reich was waged between two classes—the bourgeoisie and the proletariat, as Marx believed inevitable. Since the war, however, Germany, the most highly industrialized country in Europe, has gradually grown more complicated in its social structure. Increasing mechanization and rationalized production have steadily reduced the number of workers in industry, but at the same time they have steadily increased the number of white-collar workers—office employes and the like—at a rate two and a half times as great as that of factory workers. The unemployment resulting from the present depression has severely affected the

submerged class, of course, and they have hastened to support the Social Democrats and the Communists. But no less affected and discontented are those belonging to the office employe class, and the champion to whom they have turned for succor is the Nazi party.

Among the white-collar workers salaries are very low and the prospects of advancement poor. Male office employes receive on an average $63.57 a month, with 50 per cent of them earning less than $59.52. For female employes the average is $37.38 a month, with 54 per cent receiving less than $35.70 and only about 7½ per cent more than $59.52. This no doubt explains why women office workers constitute more than half of Hitler's supporters. There is, moreover, a sharp difference between salaries of old and young. A young clerk receives only a half or a third of what is paid to an older person, and the constant tendency is to replace the seniors with younger men and women as soon as the age of 45 is reached. Even the ordinary laborer as a rule earns more than the trained office worker, and the income of the skilled workman is sometimes twice that of the young clerk.

Of the 3,500,000 white-collar employes, of whom about a third are women, 3,000,000 are, in terms of living standards, forced into the proletariat. Yet they refuse to join the working class, and regard it as their opponent in the social struggle and a threat to their future. Former army officers, soldiers' widows and retired shopkeepers and tradesmen, who constitute a considerable proportion of the white-collar class, are especially unwilling to acknowledge a common interest with the proletariat. The story of Hitler's life, as revealed in his autobiography, *My Struggle,* illustrates this attitude. Hitler was the son of a customs inspector, went to high school and intended to become a master builder. Forced by financial difficulties to work as a laborer and draftsman, he came into contact with militant working class revolt, but disapproved of its aims and methods and refused to associate himself with the movement.

Included in the middle class who support the Nazi program are merchants, artisans and minor capitalists who, in this period of monopolization of all fields of economic activity by large enterprises, are being rapidly deprived of their independent economic position. Unorganized petty retailers find their margin of profit greatly reduced and capital and credit obtainable only in small amounts and upon onerous terms. Their social resistance is, of course, marshaled against the great capitalistic business combines, although obviously the latter are not their enemies in the sense that they are the workers' enemies. Such anti-Jewish sentiment as flourishes in the Hitler party is welcome to these bourgeois for economic reasons, because Germany's 500,000 Jews are not laborers but lawyers, physicians, bankers, merchants and tradesmen who offer strenuous competition in these fields of professional and business activity.

The National Socialists also reflect the woes and ambitions of the German farmers who are staggering under debts which totaled nearly $3,000,000,000 in June, 1931. Never sympathetic toward town dwellers, the small agriculturalists find the Marxian concept of socialism opposed to their own concept of private property and so have cast their lot not with the workers but with the movement of the white-collar classes.

The most active part in militant Hitlerism is played by the *Sturmabteilungen,* the party's military organization, which is intended not only to protect and further the interests of the party but also to serve as an equivalent of the former national army. Its members come from the generation born for the most part in the years between 1904 and 1912. Many of these "terrorist" soldiers are

university students, young men from middle-class families who want to rise in the world. Post-war Germany has 60 per cent more university students today than in 1914—more than its industry and business can absorb. Some 30,000 recent graduates are still unemployed, and the chances are that in a year or two this number will rise to 130,000. Small wonder that these students are eager to support a program which promises the overturn of a system so unkind to their own future! That they do not lend their aid to the radical parties is in some small part due to their feeling against the new system of "worker-students," by which young men who have been laborers attend a university after completing a course in a special preparatory school. Since the economic competition offered by these newcomers to the bourgeois students amounts to little, for they make up an insignificant fraction of the German university body, the middle-class animus is no doubt principally attributable to a sentimental dislike of those who would rise into a more privileged atmosphere.

The Hitler movement, it will be remembered, calls itself the National Socialist Workers' party. The majority of German workmen are associated with the Left, however, and will have even less to do with the Nazis than they will with avowedly upper-class factions. A percentage analysis of the votes cast in 1930 in three highly differentiated quarters of Berlin is illuminating in this respect:

	Wedding (Working Class.)	Steglitz (White Collar.)	Zehlendorf (Upper Class.)
Nazis	8 9	25.8	17.7
Bourgeois Right	9.8	19 6	26.5
Bourgeois Left..	9.4	23.5	27.5
Social Democrats	28.0	18.4	19.7
Communists ...	43.0	11.6	7.4

When these percentages are compared with those from other great German cities it becomes evident that the working class has little sympathy for Hitler and his ambitions.

Nevertheless, the Nazis attempt to spread their doctrine among the working class. They have taken the red flag as their banner—with the significant addition of a swastika. They sing Socialist songs, such as the *Internationale,* but with different words. They would like, indeed, to recruit workers for the *Sturmabteilungen,* at present composed largely of middle-class elements. When it comes to supporting labor in its organized protests, Hitlerism is forced to hedge, and no clear-cut doctrine may be set down. At certain times participation in strikes is advocated, openly or surreptitiously; at others the Nazis assume a less definite attitude and attempt to explain their alliance against the capitalists. For example, a Hitlerite spokesman declared about a year ago in connection with a strike of Berlin metal workers that it was not possible for the party to forbid participation in the uprising, for, were that done, those workers who were supporters of Hitlerism would desert to the Socialists. The Hamburg dock strike in November, 1931, revealed the same ambiguous tactics. But, underlying all, the Hitler party believes in destroying the "Marxian fortresses within the factories," the "fortresses" being the Socialist trade unions with their millions of members. An unsuccessful attempt has been made to obtain control of these unions; only one has been won over, and that—most significantly—the German Nationalist Union of Commercial Clerks, which has always been more or less a nationalistic middle-class organization, as its name indicates.

Nazi appeals to labor have not been altogether fruitless, however, and between 10 and 15 per cent of their support comes from the labor ranks. Most of these adherents are young men; the older workers who have joined the Hitlerites have done so for negative reasons—because of their disgust with the policy of "toleration" of the Social Democrats toward the Bruening Government, or on account of their dissatisfaction with the inability

of the Communists to adapt themselves to German conditions. The young Nazi laborers, mostly unmarried men under the age of 26, since they have been working for only a short time, or have never been able to find employment, are those who have not been subjected to the influence of Left propaganda and have not developed the class-consciousness which breeds in the factories. Others have no doubt been attracted by the promise of work; the Nazi slogan in these days of unemployment is, "Every available job belongs to a Nazi," and a secret agency to procure places for party members has been organized.

That Hitlerism promises work to its supporters, and often is able to keep its word, is due to its connection with capitalists and employers. Strange as it may seem, the chief support of the faction which calls itself a labor party comes from the industrial magnates, those very persons against whom one of the principal shafts of the Nazi quiver—the socialization of all industry—is apparently directed. Alfred Hugenberg, one of the wealthiest men in Germany today, has contributed liberally to the party coffers, and it is said that a prime factor in the spread of Hitlerism is its ability to spend money when and where necessary. Present in person—or at least by proxy—at the great Nazi meeting at Bad Harzburg in October, 1931, were many of Germany's leading industrialists—mining was represented by Poensgen, Schlenker and Sogemarer; shipbuilding by Blohm and Gok; metals by Ravene and Rohde.

The explanation is probably that German capitalism is choosing what to it is the lesser evil—fascism in preference to communism. The anti-capitalistic professions of the Nazis are regarded by some observers as a first step toward socialism and communism, but others consider that the avowed ultimate aim of "deindustrialization and agrarization of the German people" does not carry any such radical implications, and that the complexity of modern economics would quickly force a Fascist dictatorship to recognize that its social principles were too utopian to admit of success. For that matter, Gottfried Feder, economic expert of the National Socialists, has pointed out that the proposed socialization would not affect "the real creators of our heavy industry—the Krupps, Kirdorfs, Thyssens, Mannesmanns and Siemenses." Thyssen and Siemens, representing iron and coal interests, feel that through the installation of a Fascist government a 20 per cent wage cut could be effected.

Although the leader of the *Reichsverband der deutschen Industrie* (German National Industrial Union)—Duisberg of the dye industry—directs the influence of his mighty trust in support of the Bruening Government, German industry tends to champion Hitler and his program. The reactionary force of the Hohenzollern princes is also behind this Fascist movement, lending its authority to that strange blend of the old and the new which is gradually taking the place of the former Right Wing in the political battle which has so long raged throughout the Reich. Conservative Germany realizes more and more that for the first time in the history of socialism the anti-capitalistic elements are ranged against the Socialists themselves, and that it must work aggressively to prevent that alliance between the petty bourgeoisie and the working class which, once formed, would threaten its very existence. As the depression deepens, German industry and privilege find it more and more difficult to steer a middle course—and Hitler becomes their logical choice.

The history of the French and German revolutions shows that two social classes, quite divergent in their aims, may combine to conquer the common enemy. The industrial leaders today of course desire first of all such stability as will insure the safety of their

own interests; the Fascists, on the other hand, seek to transfer to themselves the power which will permit them to direct the future of the nation as they see fit. The transfer is to be accomplished by legal means, they assert, and in this attitude they somewhat appease their capitalistic allies. But the tedious process of amassing votes and supporters is much less satisfying to certain of the Nazis than a deliberate *coup d'état* would be; the *Sturmabteilungen* have occasionally been infected with a rash of radical sentiment, and the more socialistic and revolutionary leaders in Northern Germany, Strasser and Goebbels, have not always been in sympathy with the procedure of the cautious Hitler in the south.

The Nazi party has only 700,000 members, although it polled over 6,000,000 votes at the last elections. As evidence has shown, it is not representative of any one class or any one religion; its program is often confused and contradictory and its cause is the cause of no definite social interest. It is, on paper, numerically weak when compared to the Social-Democratic party, with its 1,000,000 party members and its trade unions made up of 5,000,000 workers. To be sure, the Communist party has but 150,000 members and received only 4,000,000 votes in the recent elections; on the other hand, it is the representative of a single class, one bound together by social consciousness and by trade and sporting organizations.

The real strength of the National Socialist Workers party is in its youth and enthusiasm. The clerks and other white-collar workers who make up its rank and file are not passive to the pauperization which is pressing down upon them. They are experiencing conditions to which they are not accustomed, and are lending themselves whole-heartedly to the political combination which promises best to ameliorate their lot. The working class is not so easily goaded on by the same or even a greater degree of pauperization; it is an old story to them. It should also be remembered that their voting strength has reached its limit and that their relative strength in the total German population is decreasing. That the Nazi party possesses great reserves was proved in 1930, when a large number of the 10,000,000 non-voters of 1928 rallied to support it. That those 7,000,000 who did not vote even in 1930 will become more and more politically conscious with the aggravation of the economic depression is Hitler's great hope for the future; they are the strength he dreams of mustering as he continues his campaign for the mastery of the German Republic.

British Labor's Reaction To Defeat

By SIDNEY WEBB (LORD PASSFIELD)

[A member of both the Labor Cabinets headed by Prime Minister Ramsay MacDonald, the writer of this article surveys anew the recent British crisis, not only from the standpoint of one who took part in it, but also in the light of a long and intimate association with Mr. MacDonald. Sidney Webb (as he still prefers to be known, although created a peer with the title of Lord Passfield in 1929), will be 73 years of age on July 13 next. He has been conspicuous as an exponent of Fabian Socialism and a leader of the British Labor party, is author of many notable works on economic and political questions, and has been chairman of the London School of Economics and Political Science, University of London, as well as a professor on its faculty.]

THE nine weeks ended on Oct. 28, 1931, have witnessed one of most remarkable happenings in all British political history. The sudden fall of the Labor Government; the instant formation, overnight, of a new National Government under the same Prime Minister, purporting to contain within itself all three political parties; and, finally, at the earliest practicable date, a hurried general election, in which an unprecedented combination of 69 per cent of the voters elected all but 9 per cent of the entire House of Commons, thus replacing Parliamentary government by what is in effect a party dictatorship—all this constituted a single drama which unfolded within sixty-three days and the development of which was foreseen, it is safe to say, only by the statesman who was at once its author, its producer and its principal actor. Why did Mr. Ramsay MacDonald, after thirty years' upbuilding of the British Labor party, decide to do his best to smash it, going over with a couple of his principal colleagues and a mere handful of his party, to a coalition of Conservatives and Liberals?

It is unnecessary to dwell on the continual difficulties that have beset the British, like most other European governments, since the peace treaties of 1919—the constant international complications involved alike in reparations and in armaments, the world-wide industrial depression, the catastrophic collapse of prices, the ever-present misery of chronic unemployment, the universal colossal taxation which has failed to avert a recurrence of deficits. The Labor party Cabinet of 1929-31 stumbled through its share of these general troubles, aggravated in its own case by the special difficulties inherent in never having a majority in the House of Commons. The Labor party itself grew more and more restive at its own Parliamentary impotence, section after section breaking out in angry rebellion. Thus the session of 1931 opened with the Parliamentary Labor party seriously discontented with itself. The Prime Minister, very much aware of the shortcomings of each one of his colleagues, and of the party to which he belonged, as well as (may it be said?) perhaps incessantly rather too conscious of his own superiority, was not in a condition to withstand the temptation of flattering suggestions that began to be made from more than one quarter.

Why not cut the Gordian knot by getting rid of the perpetual nuisance of Parliamentary opposition; especially if such a surgical operation involved also the elimination, or at least the reduction to impotence, of those troublesome sections of the Labor party whom the Prime Minister had come to loathe with a bitterness that could not be concealed?

The first overt suggestion of a "National Government" absorbing into itself "His Majesty's Opposition" was published early in 1931 by Mr. J. L. Garvin, the versatile and forceful editor of London's leading Sunday political journal, *The Observer*. His object was avowedly to "dish" the majority of the House of Commons which obstinately refused to vote for a protective tariff. Twice the issue had been explicitly placed before the British electorate (in 1906, and again in 1923), and each time the policy of fiscal protection had been decisively rejected. Public opinion was, it was thought, now coming round. It began to be whispered among ardent protectionists themselves that the magic spell of a "National Government," evoking the patriotic emotion of the whole people, could be used to overcome the inherited popular distrust of "food taxes."

Meanwhile the government finances were seen to be getting into a bad way. Already in February, 1931, the Chancellor of the Exchequer (Philip Snowden) had publicly warned the House of Commons that the decline in revenue, combined with the increase in expenditure, was creating financial difficulty. Nevertheless, in presenting his budget three months later, he avoided any considerable increase in taxation, and proposed no substantial reductions of expenditure. The apprehended deficit very quickly became a certainty. The Hoover moratorium of intergovernmental debts, cordially accepted by Great Britain, alone cost the government $55,000,000 on the year's account, while the continued increase of unemployment and the short-fall of revenue consequent on the slump in trade greatly widened the gap. What the Prime Minister deemed most serious was, however, not so much the prospective deficit itself as the chronic drain on the national finances involved in the continued maintenance of nearly 3,000,000 unemployed workers (and their families) at a cost of some $600,000,000 a year. Yet how could the Labor party, or indeed any one party, venture to propose suddenly to strike off the payroll so large a proportion of the electorate? The idea of a National Government, as a means, not of adopting a policy of fiscal protection, but of cutting out this dangerous "overgrowth" from the body politic, seems to have been already germinating in the Prime Minister's mind. One great obstacle was the Liberal party. How could that party, itself desperately fearing a general election in which its absolute extinction was more than probable, be induced to merge itself in a three-party coalition, inevitably leading up to just such a popular judgment?

Curiously enough it was the Liberal Party itself that unwittingly brought on the fateful crisis. Regardless of its previous requisitions on the government for enormous expenditure on public works to employ the unemployed, the whole party chose suddenly to demand the immediate appointment of a non-political Royal Commission of business men, which, in order to lighten the burden that the heavy taxation was declared to be pressing on industry, should summarily suggest drastic economies in public expenditure. The Conservative party, eager to join in a defeat of the government on any issue, promised unanimous support. The Prime Minister and the Chancellor of the Exchequer, in order to avert Parliamentary defeat, somewhat contemptuously accepted the resolution, and appointed a three-party commission of six bankers, accountants and manufacturers, under Sir George May, who had recently re-

tired from the administration of the colossal Prudential Insurance Company. That commission, going rapidly to work, produced by the end of July, 1931, a startling report, recommending (by a majority of 5 to 2) the instantaneous striking off of nearly $500,000,000 of expenditure, over two-thirds of it from unemployment insurance, and most of the balance by summary reductions of pay (actually in breach of contracts individually entered into) of the school teachers, the local police forces, the army, navy and air force, the health insurance doctors and pharmacists, the civil service, and, finally, the judges and the Ministers themselves. On the publication of this report, which experienced administrators felt to be both ignorantly framed and ill-judged in many of its proposals, a great newspaper clamor arose, voicing the demand of the taxpayer for some such reduction of expenditure; leaders of both the Conservative and Liberal parties made it known that they would unite to defeat the government on this popular cry; and the Cabinet at once took the matter seriously into consideration.

It happened, however, that this purely domestic and Parliamentary crisis, which might have been surmounted by some ingenuity, as others had been, coincided with a second and a more serious emergency of a different nature, and one not at once revealed to the public. In July, 1931, the Bank of England suddenly warned the Prime Minister and the Chancellor of the Exchequer of an alarming foreign drain of gold, caused by a steady withdrawal of the current balances and short-term deposits which foreign governments, bankers and merchants had gradually accumulated in London, in the hands, mainly, of a few dozen financial houses, to an amount of which (as each transaction was kept secret) the magnitude was unknown either to the government or to the Bank of England or even to any one of the financial houses, but which had lately been estimated at some $2,000,000,000. In the ordinary course of business a large and equally unknown proportion of this sum had been lent on short terms, at relatively high rates of interest, to manufacturers and bankers in various Continental countries, from whom it was proving difficult, and in many cases impossible, to recall it without bringing down the whole fabric of German and Austrian credit.

The London financial houses were very far from being insolvent, but their only resource in the emergency was to draw gold from the Bank of England, in exchange for currency. The resulting drain on the gold reserve, held for the quite different purpose of securing the fiduciary note issue, was so serious that the bank had already borrowed in July from New York and Paris no less than $250,000,000, which was rapidly disappearing. Early in August the bank represented that unless the British Government itself borrowed, within a few days, $400,000,000 more to maintain the gold reserve, it would be necessary for the government to declare a moratorium for the whole City of London, with calamitous results to credit, international as well as national, all the world over. No question was raised as to the possibility of going off the gold standard, a step then apparently regarded as unthinkable. The Labor Government sought accordingly to borrow from New York—Paris being in close association—whatever the situation temporarily needed. The application was met by two requirements stated to be necessary to "restore the confidence" without which no such loan could be obtained. First, that the British Government budget should be honestly balanced without recourse to other than merely temporary borrowing, with the support in Parliament of the opposition leaders; and secondly, that substantial economies in government expenditure should be instantly effected, notably as regards the cost of unemployment insurance.

That this second stipulation was made has been denied, and the official denial is doubtless accurate in the sense that there was nothing in the nature of an ultimatum or of any claim to interfere with the British Government's own business. Doubtless the response of the New York bankers was not only courteous but also sympathetic and even friendly. But the Prime Minister himself has since said (in answer to a question in the House of Commons, and as a reason why the "cut" in the rate of unemployment benefit could not be canceled) that this was a "condition of the borrowing," and must therefore be maintained. At any rate, the Labor Cabinet which had already unanimously determined to balance the budget by immediately imposing the necessary additional taxation, and making all prudent economies, refused to accept any such "condition of the borrowing" as Mr. MacDonald has described, and late on Sunday evening, Aug. 23, in order not to render public business impossible, empowered the Prime Minister to tender to the King his own resignation, which automatically includes the termination of office of the whole Ministry. It was taken for granted that the King would immediately send for Mr. Baldwin, the leader of the Conservative party, and entrust him with the formation of a new government. It is significant that Mr. Neville Chamberlain, who as Mr. Baldwin's principal colleague had been with him almost hourly in consultation with the Prime Minister, stated publicly in a speech a few days later that he had himself gone to bed that Sunday night with exactly that assumption.

The Prime Minister had in mind a different development of the drama that he had himself staged. What happened at Buckingham Palace on Monday morning, Aug. 24, can be known only to the actual participators. What is said is that the King, with whom the Prime Minister had been in constant communication but who never went outside his constitutional position, made a strong appeal to him to stand by the nation in this financial crisis and to seek the support of leading members of the Conservative and Liberal parties in forming, in conjunction with such members of his own party as would come in, a united National Government. The King is believed to have made a correspondingly strong appeal to the Liberal and Conservative leaders. What is known is that Mr. MacDonald came at noon to the final Labor Cabinet, and at once informed his astonished colleagues that, while they were all out of office, owing to his resignation, he had actually "kissed hands" as Prime Minister of a National Government, which would confine itself to what was required to meet the actual financial crisis and would then promptly proceed to a general election, at which the leaders of the three political parties, without anything in the nature of a coalition, would severally appeal to their respective followers. The new government thus formed consisted, in the Cabinet of ten, of four Labor Ministers (Philip Snowden, J. H. Thomas and Lord Sankey, following the Prime Minister), with four Conservatives and two Liberals. Meetings of the Conservative and Liberal parties promptly endorsed the action of their respective leaders, and half a dozen Liberals and a dozen Conservatives accepted minor Ministerial office. A meeting of the whole Parliamentary Labor party, which Mr. MacDonald did not even attend, much less appeal to, refused almost unanimously to condone what it regarded as a gross betrayal, aggravated by a long course of inexcusable duplicity. All but about 5 per cent of the Labor members and about 4 per cent of the chosen Labor candidates steadfastly adhered to Mr. Arthur Henderson, who was elected leader of the party.

But there was a note of irony in the immediate result. Withdrawals of balances from London and the drain of

gold from the Bank of England continued unabated, and presently became a heavy spate, thus demonstrating that they were caused, not by any lack of confidence in Britain's government, but by apprehensions of a run on the banks in nearly every other country! Within four weeks of the formation of the National Government, it found itself compelled summarily to prohibit the issue and the export of any more gold. On Sept. 21 London was "off the gold standard"! Far from this "terrible calamity" proving instantly ruinous to British credit or British trade, as the Prime Minister had so recently threatened, the press welcomed it, and Manchester reported an immediate fillip in the exports of textile goods, a fillip presently felt in other export markets.

Thereupon ensued a short and excited session of Parliament, in which the new Ministry found its claim to be, in any accustomed sense, a National Government rebutted by the presence of His Majesty's Opposition under Mr. Arthur Henderson. But by reason of the close alliance of the whole Conservative and Liberal parties, with the fifteen deserters from the Labor party, the government carried every vote by a majority of about 60. It rapidly put through the new budget, showing taxation increased and expenditure reduced in a way to secure a surplus for both 1931-32 and 1932-33. It put through equally rapidly an "economies bill" which by a momentous and unprecedented change of constitutional practice did not specify the economies to be made, but merely empowered the several Ministers to effect them in their own departments, with such arbitrary "modifications" of existing contracts as were required, merely by Ministerial fiat (for this, indeed, is what an order of His Majesty in Council has long meant). Such a device, adopted to avoid Parliamentary debate or even specific submission to the House of Commons of the proposed changes, may one day be made use of for a much greater revolution "in due course of law." The very day the bill was passed Parliament was dissolved and writs were issued for a general election within three weeks.

The election campaign of these three weeks was a political whirlwind without parallel in British annals. The Liberal and Conservative organizations in nearly every constituency instantly united and resolutely closed their ranks against every candidate who did not run in support of the National Government. A regular plan of acting on the "fear complex" to which nearly every one is subject, seems to have been determined upon. Practically the whole newspaper press of the country, with the outstanding exceptions of the *Manchester Guardian* and the London *Daily Herald,* kept up the same appeal to the 30,000,000 electors to help the National Government to save the State from vaguely suggester perils of the most awful nature. The broadcasting service, a piece of governmental machinery, was without any nice regard to fairness between the combatants used day after day to immense effect, and the air became thick with all manner of insinuations aimed at producing panic among the undiscriminating electors. Yet the crisis had been surmounted. The desired "economies" had been effected. The budget had been austerely balanced by additional taxation. There was thus no immediate financial menace.

A new cause for panic was, however, promptly found in the "adverse balance" of the nation's trade, which no sensible economist believes that any government action could immediately affect and which would anyhow be in due course automatically adjusted as one of the results of going off the gold standard. Nevertheless, the "adverse balance of trade" was declared to be a menace to the value of sterling at home. The currency was in danger of becoming valueless. The pound might sink to be worth no more than ten shillings, than one shilling, than

a penny. No man's wages were safe from depreciation. The Labor Government, if it had not been turned out, would not have had money after November to pay the unemployment insurance benefit. The climax was reached in statements repeated far and wide of something that the Labor Government had done or would do to the $1,500,000,000 deposited by ten millions of people in the Postoffice Savings Bank, which might be used to pay the unemployed. Nothing new had, in fact, been done or had ever been contemplated in connection with these savings, and this was well known to those who spread the alarming rumors. In the last days before polling day many thousands of poor folk (the safety of whose little hoards seemed to be at stake) became scared through fear of what they knew not and flocked to the polling stations which they had never before troubled to visit.

When the ballot boxes were opened it was found that these subterranean streams of fear had undermined the electoral foundations of nearly every candidate, whatever his particular shade of politics, who was not an accredited supporter of the so-called National Government Such a landslide of votes no country had ever seen. Some 69 per cent of all the voters, representing an unprecedented combination of all parts of the kingdom, all political parties, all religious denominations, all vocations, all social grades and both sexes, simply annihilated the various "new parties" and swept away four-fifths of His Majesty's Opposition, electing no less than 91 per cent of the whole House of Commons in support of Mr. MacDonald's new Ministry.

What manner of Ministry is it, to which the destiny of Britain has thus hysterically been entrusted? As reformed after the election it is, at any rate for the moment, not a party government because it includes prominent representatives of different parties, although the regular Conservative party, which now counts 470 members out of 615, and furnishes 94 per cent of the government's supporters in the House of Commons, is unlikely to be long content with but a bare majority of the Cabinet. A government so constituted and supported can hardly fail to be, in substance, a government of the Conservative party. It is at present a government without a policy, pledged only to do what it finds to be the best for the nation. Every one assumes that it will put through measures (including fiscal protection and a gradual starvation of the social services) substantially in accord with the policy of the Conservative party. The government will, in fact, before the expiry of the term of the new Parliament, inevitably become Conservative through and through, either by gradual extrusion of the alien elements or by their complete assimilation.

What is the significance of this whole drama, with its finale of such an extraordinary election, in British political history? The first thing to notice is that the Labor party, more than ever definitely Socialist in policy, is not "smashed"; but rather consolidated and purified. Not all the skill with which the adverse combination was manoeuvred, not all the force of the appeal to the national emotion, availed to break the mass vote for Labor cast by the electorate. In October, 1931, as it is beginning to be ruefully observed, no fewer than 1,000,000 voted for socialism against some 16,000,000 for the anti-Socialist union. At the preceding election the corresponding figures were 8,000,000 against 13,000,000. What the British Labor party has received is a great and perhaps a salutary shock. It is still only a quarter of a century old, and its growth in that time to nearly one-third of the nation is little short of marvelous. But in being called to Ministerial office in 1924, and even again in 1929, it was, as its members now realize, prematurely born into the life of government. It has never yet

come near comprising a majority of the nation; at no time has it obtained the support at the polls of even half the wage-earning voters; nor can it be said to have yet found the requisite amount of governmental talent to cope with the recurring crises of the present century.

The surprising magnitude of the defeat was a necessary result of the union of the Conservative and Liberal parties in their novel concentration on an attempt to destroy, once for all, the menace to wealth and functionless property, which they at last recognized in the continuous growth of the Labor party. Almost the whole of the well-to-do electors, including practically the entire rentier class, voted as a solid block. Such a confrontation of classes was bound to occur sooner or later, as a trial through which the Labor party had to pass. It is an accidental result of the British single member constituency that a decline from 36 to 30 per cent in the votes cast for the Labor party should involve a loss of no fewer than 215 seats. The success of the appeal to the "fear complex" once more revealed the quite exceptional psychological homogeneity of the British people from one end of the kingdom to the other. When the people's emotions are stirred, the response is not local but "national" in character.

Finally, it may be said that the whole episode is a manifestation, which the world will not fail to note, not only of the very great stability of Great Briain, but also (as the British Labor party must duly heed) of the extraordinary strength of the position of the British capitalist system and the British governing class. The capitalist system may show signs of breaking up. But let all its elements combine and marshal to one end their various forces and their citadel is in any particular contest almost impregnable. Their wealth, their positions of vantage as employers or landlords, their command of very nearly the whole newspaper press, their hordes of dependents in the shopkeeping and professional classes no less than in domestic servants and other employes, the immense technical ability by which they are served—all this counts enormously at the polls, just as it does in any serious industrial conflict. But all these influences are helped at the parliamentary end by the policy that has for the past century been almost instinctively followed by the British governing class in its relation to any emerging personality of whatever antecedents in whom can be recognized the potentiality of power. Popular leaders in other countries may be ruthlessly suppressed, or they may be bribed or induced by prospects of a career to abandon the cause of their fellow workers. The British governing class has ceased to repress by punishment. Corruption in its cruder forms has become repugnant to it. Far more tempting treatment is almost automatically and even out of genuine kindliness now meted out. The emerging leaders of the common people are neither imprisoned nor bribed. As soon as they show evidence of power they are embraced. It is, however, too soon to predict whether Mr. Ramsay MacDonald will be dislodged and discarded by the mutinous Conservative horde that now fills the House of Commons, or whether he will let himself become, even more decisively than at present, "one of them," possibly, indeed, the leader that they lack.

LONDON, Nov. 13, 1931.

India's Failure to Unite for Home Rule

By S. K. RATCLIFFE
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THERE can be no doubt that the ending of the second Indian Round-Table Conference leaves in the minds of all instructed observers a sense of grave consequences to come. As these lines are being written Gandhi is preparing to return to India, his mind darkened by thoughts of a revival of civil disobedience which, if begun, must surely pass far beyond his control, while the more moderate Indian leaders are oppressed by fears of the unknown and by the certainty that the last vestiges of their influence are already destroyed.

The Constitution of 1919, under which India is now governed, it will be remembered, was to be revised at the end of ten years, and for that purpose the commission under Sir John Simon, now British Foreign Secretary, was appointed in 1927. Because the commission consisted exclusively of members of Parliament, it was condemned by the Indian political leaders and parties and largely boycotted during its two Indian tours. Its two-volume report was published in 1930. By that time the MacDonald Labor Cabinet had been formed, and Lord Irwin, the Viceroy, had, on behalf of the Imperial Government, on Oct. 31, 1929, made the statement that "it is implicit in the Declaration of 1917 that the natural issue of India's constitutional progress, as then contemplated, is the attainment of dominion status."

If there could have been in England an unequivocal endorsement of this statement, the nationalist agitation in India would have subsided and Gandhi would have taken his place with the delegates to the first Round-Table Conference in London. This, however, was not to be. The National Congress, which Gandhi has in the main controlled for many years, not only decided to stand out, but passed a resolution in favor of Indian independence. In March, 1930, Gandhi resumed his movement of civil disobedience and in May was arrested and interned as a political offender, while civil disobedience and the boycott of British goods were continued. The Round-Table Conference, which was opened in London in November, 1930, contained representatives of British India, with its many interests and communities, and of those numerous Indian States which have their own governments under princely rulers, but there were no delegates from the National Congress, the largest political body in the country.

The first conference revealed two important things—first, that all the Indian parties there represented were agreed in demanding that India should be a fully self-governing dominion in the British system, and, second, that the princes were ready to join with the provinces of British India in an All-India federation. A federal plan was agreed to and the rough draft of a constitution worked out; but no clear position was reached on the essential matter of responsible or

dominion self-government. That was a matter of "safeguards," and as to the nature of the safeguards there was only too much scope for disagreement.

There followed in India the release of Gandhi, his famous truce with Lord Irwin and the compact by which the National Congress was won over to take part in the second conference. Having agreed to cooperate for a settlement, Gandhi devoted the Summer of 1931 to preparatory efforts. The relations between the two chief divisions of the Indian people—Hindus and Moslems—were most unsatisfactory. Gandhi took the view that it would be useless to go to London unless a basis of communal agreement had been reached in India. At the same time he was contending with the government of India over certain alleged breaches of the truce, and he took these things so much to heart that not until the last moment did he decide to sail for England.

It was originally intended that the National Congress should be represented, like the other communities at the conference, by a compact delegation with Gandhi at the head. He would undoubtedly have been in a stronger position as first delegate in such a group, especially as he does not easily cooperate in committee and the day-to-day labor of a conference is irksome to him. But the National Congress nominated him as its one representative, and he was treated as a plenipotentiary. It was assumed that he was powerful enough to carry the National Congress for anything that was accepted by him at the conference.

After his arrival in London Gandhi was careful to attend the conference regularly. He also had audience of the King and Queen, addressed members of the House of Commons, and was accessible to people of all kinds. He slept at a social settlement in the East End of London and had his office in a West End house overlooking Hyde Park. He had talks with many of the British leaders in politics, social service and the churches. He manifestly enjoyed every hour of his stay, and as an individual achieved a popular success exceeding that of any eminent visitor from overseas within memory. In his public capacity, however, as party leader and negotiator, Gandhi is quite another person. Being a lone delegate and the advocate of an extreme policy, he had a task of great difficulty, which was made all the greater by his way of life and his methods of procedure.

The conference had to confront the hard realities of a situation for which, as the debates revealed, only one section of the delegates—the Indian Moslems—had come fully prepared. Gandhi, perhaps, might be correctly described as being prepared so far as the main program of the National Congress was concerned, but clearly he did not anticipate the obstacles that were to arise in connection with the problem of minorities other than the 80,000,000 Moslems. The conference was from the beginning held up by the multiple difficulty of these minorities; but, quite apart from that, Great Britain's own political crisis was telling against India.

The Round-Table Conference had been called into existence by the Labor Government in cooperation with Lord Irwin in India. Mr. MacDonald as Labor Prime Minister was deeply concerned to make peace in India and to lay the foundation of a new self-governing dominion in the Orient, but at least a year ago he was made aware that his chance of completing an Indian settlement during the lifetime of the Labor Government was already gone by. This meant that if he was to have a hand in any such settlement, it must be through the agency of another and a very different Cabinet. When the British political crisis came, it created a situation in reference to India which appeared to be unmanageable under the conditions of 1931. Wedgwood Benn as Secretary for India gave place to Sir Samuel Hoare, a member of

the Conservative Right Wing. Labor Ministers who were delegates to the conference lost both their places in the government and their seats in the House of Commons. Mr. MacDonald after the election was head of a government supported by no fewer than 470 Conservative members in a House of 615, and the majority of those 470 were more or less hostile to Indian political aspirations and ready to call for a restoration of the strong hand in ruling India. In the meantime the Foreign Secretaryship in the Cabinet had been given to Sir John Simon, chairman of the Indian commission which had been set aside —the man who was chiefly responsible for the survey and proposals which, after being reviewed and applauded throughout the world, were judged in 1930 to be so remote from the actual problems of India that they were not considered by the Round-Table Conference at all. The Cabinet upheaval of August was followed by an awkward period of adjustment, during which the Indian problem occupied hardly any public attention.

If the British policy toward India had been declared by Prime Minister and Viceroy, and if the responsible leaders of all parties were committed to a program of progressive self-government, it may be asked whether it was not plainly the first duty of the government and the Indian delegates to sit down before the central problem itself—to find out what self-government meant, what responsibility meant, by what means the governing power could be transferred to Indian hands, and under exactly what safeguards? Doubtless that was the real first duty, but circumstances tended to make it impracticable. The Prime Minister, in one of his keynote speeches to the conference, was very guarded in expression. In the opinion of the National Government, he said, "responsibility for the government of India should be placed upon the Legislatures, central and provincial, with such provisions as may be necessary to guarantee during a period of transition the observance of certain obligations and to meet other special circumstances, and also with such guarantees as are required by minorities to protect their political liberties and rights."

Actually, the conference broke down—or rather, had to confess itself beaten—on the problem of the minorities some time before the critical issue of a responsible government for India was in any real sense approached. The complaint of the Hindu delegates—of Gandhi for the nationalists and of the other groups—is that it was wrong to allow the disputes over minority rights to take up time and to occupy the foreground. The conference, they argue, ought to have addressed itself to the one great question of India's freedom in self-government; and the British Imperial Government should have been required to declare itself so that it might be known how far it was prepared to go in such all-important matters as the control by Indians of the central authority, the control of finance, the organization of defense and the final control of the army. Events have now shown that there was little use in holding the second conference unless it was understood that, after the provisional results reached a year ago, the British Government and Parliament were ready to implement the Irwin declaration, to follow out the logic of the later policy, and to meet the Indian demand with courage and straight bargaining. But the circumstances of 1931 did not allow the conference to start from that point. The facts of the minorities problem were altogether intractable.

Moreover, it is now clear that, if the Indian representatives had gone to London wholly agreed, not only upon their demand for India as a free dominion within the British system but also upon the main lines of the Constitution they were ready to accept, the task of the conference would have been clearly defined, and the British

Government would have been called upon to set forth the exact nature of the limits and safeguards they deem to be fundamental. But no such unanimity on the Indian side was approached, or even foreshadowed, and it was realized from the beginning that the powerful Moslem delegation had come with the purpose of taking a still firmer stand than that of the previous year. The Moslems stood upon their full claims for the protection of their position, and in the later stage of the conference they made it clear that they could not further the project of federation, or take part in the discussion of self-government for all India, until they were satisfied that their standing as the largest minority group in India was made secure. The Moslem claims had been clearly and skillfully made out, and the delegates were rendered all the more determined by their knowledge that their case had the backing of certain very influential groups of Conservative, and especially veteran official, British opinion. Accordingly, the solution of this obstinate difficulty proved to be impossible. The Moslems made it plain once more that they would not agree to any concessions which might at any time or in any way make their community subject to the great Hindu majority.

At the same time other difficulties developed with reference to the small minorities and to the "depressed classes"—the "Untouchables." Every conscious community in India is resolved if possible to gain assurances in advance with respect to its own position in the new India, and especially a very interesting situation has emerged in connection with the "depressed classes." These miserable people are at last being stirred. They are demanding their place in the sun, and undoubtedly it is Gandhi's work which more than any other influence has produced this result. But there is one aspect of their revival which provides an example of Gandhi's difficulties. He is held in reverence by the "depressed classes"; he believes himself to be the leader of their whole body and to know what they want. But it happened that they had in Dr. Ambedkar, an able man and very effective speaker, a delegate of their own at the conference. His demands on behalf of the "depressed classes" were opposed to Gandhi's views, and it was noted as significant that, while Gandhi was willing to have the differences between the Hindus, Moslems and Sikhs referred to arbitration, he was against allowing the arbitration to include the case of the "depressed classes," because, he believes, nothing should be done to create a political and social division between them and the main body of Hindus. But in adopting this position he seems to have ignored a basic truth affecting all modern democratic arrangements, namely, that any community that happens to be coming up in the scale will insist upon being represented by men not only of its own choice, but almost invariably men belonging to its own body. But whether Gandhi was right or wrong, it is a pity that the differing champions of the disinherited millions could not have worked together in agreement.

The undoubtedly disappointing results of the conference have been summed up in a section of the British press as virtually involving a move back to the Simon report, especially as regards making the grant of self-government for the provinces prior to any proposals for responsibility at the Centre. Furthermore, the plan of an All-India federation inevitably recedes into the background. The Princes are seriously divided on the subject, and their political differences are supplemented by special objections and personal antagonisms, while the difficulties of building a scheme which would enable the provinces of British India to be federated with the paternal systems of the Indian States are more widely emphasized than they were twelve months ago. The Mos-

lems, again, are not at present greatly interested in federation. As for the *Hindu-Moslem conflict and the question of the other minorities,* it is assumed that, if or when the new provincial system is being devised, the government will offer its own working compromise, and that, should India then be fairly free from disturbance, the authorities could expect to gain the support of all the moderate parties in their search for a tolerable solution.

Unhappily it is not possible to anticipate for India an interval of peaceful development. The outlook, indeed, is very grave, and the British authorities will count themselves exceedingly fortunate if they are enabled during 1932 to go forward in the direction of the policy outlined in the statements which were made by Mr. MacDonald in the closing days of the conference. At a time when the most complicated of all difficulties are pressing upon Great Britain, the prospect in India itself is most disturbing. It was fully realized before the conference that Gandhi could not take back from England anything that the National Congress would be willing to accept in satisfaction of its extremist demands. But it was hoped that, with his reasonableness of tone and often of attitude, he would find himself able in the end to make common cause with those public men, British and Indian, who have understood the extreme urgency of a settlement. That has proved to be impossible. In the eyes of the Indian press and Indian politicians the delegates return to India with empty hands.

It is difficult to avoid the feeling that the two Round-Table Conferences afforded a great final opportunity of settling the fortunes of India upon a *basis which might have made possible a half-century of orderly progress, and the further feeling that, by reason* of many happenings, this wonderful opportunity has been lost. The second conference should have been treated as a last mercy which could never recur. Whether, if the Labor Government had remained in office, with Mr. MacDonald guiding it to the normal end of its term, the road to peace in India could have been found in London, is a question to which the strange turn in British affairs has prevented an answer.

LONDON, Nov. 27, 1931.

[A few days after the above was written the Round-Table Conference came to an end on Dec. 1 with Prime Minister MacDonald reaffirming the government's desire to establish an All-India federation, and promising the establishment of special committees to work out the details of a Federal Constitution. The Moslem elements were somewhat appeased by his guarantee of eventual self-government in the Northwest Frontier Province, a predominantly Moslem section, and its immediate organization as a "Governor's province." The Prime Minister also announced that Sind, the area between Bombay and Baluchistan, would be constituted a separate province. This means that the Moslems, as the prevailing majority, will control the provincial government. Gandhi, however, was by no means sanguine as he left London on Dec. 5. To appeals for peace in India he replied, as he had done before, that the final word rested with the All-India National Congress.]

General Coxey's "Hunger Marchers"

By RALPH THOMPSON

THE recent election of Jacob Coxey as Mayor of Massillon, Ohio, is a vivid reminder of a iod in American history during ich his name as leader of an "army" 3 in every newspaper and the word iemployment" rang ominously oughout the land. Today that word uses equal concern, but less appreision. To be sure, there is a strike e and a strike there, stoneowing and shotgun firing in West ginia, eager soap-box oratory n Union Square to Golden Gate k, faint seditious rumbling in vari- centres from the Great Lakes to Gulf of Mexico. And at this writ- , certain present-day emulators of ey's methods are reported on their to Washington to make their iplaints known. But with millions mployed, wages sinking, constant eration of the magnitude of this atest of depressions, the nation as hole has thus far protested princi- y in the abstract, apparently will- to wait resignedly for the lifting he clouds and the reappearance of sperity's golden sun.

'or some forty years, however, n times were hard, between 2,000,- and 3,000,000 men unemployed, ners poor, the American scene was as placid as it is today. In 1892 National Guard marched against kers at Homestead, Pa., and two rs later government troops were ed upon to subdue the disaffection ch started in the Chicago shops of Pullman Company and destroyed $80,000,000 worth of property before it was over. The flood and ebb of the panic of 1893 left other marks upon the surface of American society—some the effect of violence, some that of more ordered but none the less determined protest. Of the latter, most ununusual was the phenomenon of masses of unemployed men making their way by foot, rail or water to Washington, there to register emphatic dissatisfaction with the condition of things in the country. The Spring of 1894 saw them marching down from New England, straggling across Arizona and Texas, tramping through late snowstorms in the Alleghanies. All told, the "armies" were made up of somewhat fewer than 10,-000 men. Some never reached the capital, and those that did accomplished very little besides furnishing copy for avid reporters. But the industrial army processions, ineffective as they were in forcing legislation, thrust before the eyes of the country at large unmistakable evidence of something amiss, something which the light-hearted newspaper stories of the movement could not altogether gloss over.

The leader of the most famous of the descents upon Washington was Jacob Sechler Coxey, "General" Coxey, in many ways a strange man for his job. He was no ragged Wat Tyler, but a wealthy manufacturer of silica sand and the owner of a stable of blooded horses, one who in his home

t Massillon had caught the fever of ıe farmers the country over who 'ere struggling against the hardships nposed by 5-cent cotton, 10-cent corn,)-cent wheat and had given 1,000,000 ɔtes to James B. Weaver, Presiden-al candidate of the Populist party in 392. The panacea for their ills seemed) be more money; with a more plenti-ıl currency, they believed, prices ould go up and hard times would ıd. So Coxey formulated his good ɔads bill, under which the National overnment was to issue $500,000,000 ι legal tender notes to be expended ɔr the employment of citizens in a ast nation-wide road-building cam-ıign. The good roads bill was de-gned to help the farmers; city folk ere to be aided by a companion easure, the non-interest-bearing ɔnd bill, which advocated issuance of ırther legal-tender notes for city reets and public buildings on the se-ırity of non-interest-bearing bonds be authorized by any State, county ' town. These two schemes were in-oduced into Congress on March 19, 394, by Senator Peffer, Populist, of ansas.

Six days later Coxey's army left assillon for Washington, a "petition boots" for the passage of the bills. ıe start was a less magnificent af-ir than the General had hoped. Only ɔme 100 men were in line, but as ac-ssories there were 43 special corre-ondents, 4 telegraph operators and linemen, and among the regulars ɜre a cowboy and an astrologer. Al-ough certain professional hoboes ıstened to associate themselves with e enterprise, the majority appear to ıve been honest, earnest working-ɜn. Only citizens of the United ates were admitted to the ranks, d there was a strict prohibition on hieves or anarchists- boodlers or nkers." The column moved bravely t of town toward the neighboring y of Canton, Coxey in a phaeton d the rest of his family, including young son, Legal Tender Coxey, se behind in a carriage, while crowds cheered and small boys stared at the ragged pageantry.

Much careful preparation had preceded the departure of the army that Easter Sunday morning. As men had straggled into Massillon in response to Coxey's call they had been drilled, taught to salute, fed after a fashion and given badges to wear. Banners had been manufactured with the inscription "Peace on Earth; Good Will to Men. He Hath Risen, but Death to Interest on Bonds"—a mixed sentiment representing not only Coxey's economic aspiration but also the religious impulse lent to the crusade by Carl Browne. Browne, a picturesque Western character, had brought into Coxey's camp his idea of reincarnation—that the soul after death of the body enters into a sort of reservoir of all souls from which each succeeding individual draws his essence. Each person alive, therefore, has in him the accumulation of past generations and, accordingly, some small portion of the soul of Jesus. The theory was that so great a portion of Christ's soul would be represented at Washington by the presence of the army that Congress could not resist its influence; the "Commonweal of Christ," as the army was designated, would succeed in its mission by the overwhelming moral force of its personnel.

On the way to the capital the Commonweal met with much attention, for the escort of reporters was proving an able if unwitting advertising agent. Food and supplies were donated by sympathetic persons or groups along the line of march—and also by the cautious, it has been suggested, because such gratuity would go far to insure the henroosts and larders of the local housewives. When the army left Beaver Falls, Pa., on April 2, mills were closed to permit the workers to view the departing procession, which had been augmented by recruits from time to time, and, as it approached Pittsburgh, numbered nearly 200 marchers.

The Steel City and its suburbs were

still smarting from the Homestead strikes a few years before, and prepared against whatever violence might be incited by the presence of Coxey's strange brigade. The citizens, however, were greatly interested in the whole business, and flocked to the camp, or later lined the streets through which the army passed on its way to Homestead, the home of the Carnegie Steel Company. Here there was tremendous enthusiasm and the martial music of the Homestead Steel Workers' Band. At Cumberland, Md., the Commonweal was loaded upon barges and ferried down to Hagerstown, and the goal was almost in sight.

Some European journals, their vision blurred by distance, professed to see in Coxey's army another march from Paris to Versailles and the beginning of anarchy in the United States. How wrong they were in their diagnosis is pointed out by Donald L. McMurry in his thorough study of the industrial army movement entitled *Coxey's Army* (Little, Brown & Co., 1929). Very few, if any, out-and-out Radicals took part in Coxey's crusade, and most of the other organized marches on Washington during the period were governed, in theory at least, according to law. There was a certain amount of "borrowing" of railroad trains by groups coming from the Far West—McMurry states that at least forty were commandeered in this fashion by footsore men—and the railroads themselves had a rather involved few months as they willingly or unwillingly carried hundreds of pilgrims in freight cars or shepherded rolling stock which had been pressed into transport service without as much as a by-your-leave. Tramps and ne'er-do-wells were easily convinced of the sanity of the principles motivating the industrial armies by the lure of food and notoriety, to be sure, but most of these soon tired of the strain imposed by semi-military regulation, and departed for more congenial surroundings. Coxey really succeeded in keeping his organization in something like order, while various local authorities assisted in maintaining decorum by holding the men within camp bounds or by closing all saloons against the approach of a consuming thirst generated by hours of walking.

Washington received Coxey's army on May 1, 1894, with some trepidation. Disguised government operatives had kept officials informed of the temper of the marchers, but even though their reports were not disquieting, certain precautions were taken. Special policemen were sworn in and the guards about the Capitol were doubled; 1,500 troops were held in the city, with several thousand more close at hand, while sharpshooters supplemented the ordinary guard at the treasury. When Coxey and his men arrived, however, they were given permission to parade, with the warning that the passage of processions or the carrying of banners through the Capitol grounds was forbidden by statute. But having come all the way from Massillon to speak from the Capitol steps, Coxey was not to be so easily denied. His good roads bill had been unfavorably reported to the Senate, despite the efforts of Senator Peffer. His dream of an army of 100,000 men had had to be subjected to sharp revision, for there were but a few hundreds with him, including an additional force recruited in Eastern Pennsylvania by the silk-hatted reformer, Christopher Columbus Jones. He probably felt he was representing a considerable portion of the American people, for there were reports of various other armies marching to Washington from California, Massachusetts, Montana. The opportunity was too great to be neglected, statute or no statute.

Up Pennsylvania Avenue went the procession, between lines of policemen and spectators, bands playing, banners waving, with Coxey, Carl Browne and Christopher Columbus Jones the cyno-

sure of all eyes. At the end of the avenue, before the Capitol, stood a row of resolute policemen, however, and the army halted, while the three leaders made their way over the wall which surrounds the Capitol grounds and disappeared amid the shrubbery. They did not get very far. Mounted police urged their horses after them; spectators swarmed in to see the proceedings. Although Coxey gained the Capitol steps, both he and his two companions were collared and hustled out into the street before the speech championing "honest, remunerative, productive labor" could be given. Such a greeting was not wholly unexpected by Coxey or by the city, but the vigorous activity of the police aroused no little protest, even from those who entertained scant sympathy for the Commonweal of Christ itself. The logical conclusion of the encounter came shortly afterward, when the three leaders were brought into court for having violated "the peace and Government of the United States of America" because they did "unlawfully enter upon the grounds of the United States Capitol, and did then and there display a certain flag and banner * * * and did then and there step upon certain growing plants, shrubs, and turf then and there being and growing * * *." The sentences imposed twenty days in jail on all three for carrying banners, and $5 fine on Coxey and Browne for stepping upon the plants, shrubs and turf. The Senate refused to be moved to interfere, and the penalties of the court were duly paid.

Thus ended militant Coxeyism, although Coxey himself had by no means given up his ideas. His army went back to its camp, and in much the same way as the other groups which appeared in the neighborhood from time to time, loafed about the city in disorganized fashion until the health authorities firmly requested a removal. The District of Columbia and certain prominent individuals finally arranged transportation to carry the men to the sections of the country from which they had come. Those who remained behind were then consigned to the Baltimore House of Correction until they agreed to be delivered back to their homes. By Aug. 15 quiet reigned in Washington and its environs—that is, as far as industrial armies were concerned. The Commonweal of Christ and its kindred aggregations had dissolved.

In the meantime Jacob Coxey had become a famous man, a martyr to the cause of the unemployed and free speech. His political persistence was evidenced by his immediate appearance as Populist candidate for Congress in the Eighteenth District of Ohio, and in 1897 he ran for Governor. In 1914 he led another procession to Washington, and this time actually spoke from the steps of the Capitol—with little publicity, however. Two years later he stood for election as Senator from Ohio. Shortly after the World War he threatened to march his army again if $5,000,000,000 in legal tender were not issued for the benefit of the unemployed. In 1922 he went to the government and asked $40,000,000 in treasury notes to finance the reconditioning of 112 steel ships discarded after the war.

The current economic difficulty has found Coxey still ready with suggestions for ameliorating conditions; in 1930 he proposed that the government give $100 a month to every unemployed man, and from time to time he has planned marches upon the national capital to impress Congress with the timeliness of his ideas. That he is still a figure of local, if not national, politics was evidenced by his success at the polls on Nov. 2, 1931, when he was elected Mayor of his home city on a platform advocating municipal ownership of public utilities and the flotation of a $200,000 issue of non-interest-bearing bonds to aid the unemployed. Thus, at the age of 76, Jacob Coxey appears to be about to realize certain of his long-cherished ambitions.

The New Age of American Poetry

By JOHN MACY

AMERICAN poetry in the still young twentieth century underwent momentous changes of mind and heart. We have witnessed a renaissance, a new birth, almost a revolution, which is not concluded but is in vigorous process. As it has not come to an end, so we cannot say definitely when it began; for literature does not divide into neat periods with sharp edges but is a continuous activity, ever deriving and ever developing. We know certainly that within the last two or three decades something important happened—many things happened—which made the poetry of our time the richest, the most varied, the most exciting in American literary history. America grew "poetry minded."

The poets created the state of mind; the maker must come first. But readers joined in the creation, encouraged the poets as artists and helped to sustain them as laboring men and women. Like all countries of all times, America has neglected or despised this or that poet, but for more than a century it has honored its singers, and from its strangely mixed population there could always be assembled a generous and fairly populous audience for the native bard. In their silver day (which we now find a little tarnished) a new volume by Longfellow or Whittier was a public event. A generation later, at the end of the last century, James Whitcomb Riley was a national figure almost as familiar as Mark Twain. In our time when the new poets came, readers were ready for them, and many more were ready to be initiated. Poetry societies flourishe in the land and had somewhat tl same effect as the little theatre mov ment: if they did not produce mar notable poems and plays, they ed cated an increasingly numerous boc of intelligent readers and listener Insurgent groups, sometimes freaki and cliquish and bursting with eg tism but valiantly in earnest, found little magazines, most of which di young but not in vain, for they had influence far beyond their visible ci culation and forced the doors of co servative magazines.

Publishers met the small but grov ing public of poetry readers more tha half-way; not only new houses but tl old-established firms adorned the lists with small volumes of vers often by writers whose fame had n traveled far. Poets who had won a fo lowing that could be counted on we published as a matter of course. B sometimes a publisher was happi astonished by the fortunes of a boo of verse by a poet little known honorably known though not wide read before. In 1915 *Spoon River A thology* by Edgar Lee Masters rush sensationally through many editio and rivaled the best-selling novel Since the publication in 1916 of *Tl Man Against the Sky*, by Edwin A lington Robinson, it has been an o and repeatedly renewed story that h next book of poems is as eager awaited (if not by just the same pe ple) as the next story by a popul writer of fiction. And this is the pla to remind ourselves that the story

American poetry in the twentieth century is only one important section in the story of contemporary American literature; it is a chapter in the complex chronicle of thought, culture, life of our times; it is a beautiful, vital, heartening chapter in a record much of which is not lovely, as many of the poets have felt and sadly sung. They have done much to interpret and redeem the evil and to glorify the good.

Our poets are intensely American without being provincial; modern as this morning's sun but not ignorant of man's oldest traditions or unaware of the timeless values. Even when there is no visible trace in them of Whitman's form and individual thought, many of them are fulfilling in their private ways the prophecy which he made of poets to come after him, the declaration of independence which he pugnaciously announced and of which he was in his own time the solitary signer. It is our generation—not the decades before us, not the men who were children during his maturity—it is we and not our fathers who have fully understood Whitman. He set American verse free long before "free verse" was talked about. It was not in form but in substance that he sought liberation for himself and his successors. He believed, and his successors all believe, all take it for granted no matter what their special subjects, that anything under heaven or beyond can be expressed in the open daylight of poetry. He protested against bookish words and poetic diction. Our poets can be orotund and rhetorical and swing through the heavens with verbal voluptuosities, but most of them aim at simplicity and find new richness in the old words that are the life of us and can never be worn out. The versifier who uses a rubber-stamp phrase will be pitied or laughed at by his brethren, sent to the foot of the class until he learns better.

Fear of the conventional has at times resulted in deliberate eccentricities, a conscious quest for novel combinations, but the mere tricky gesture-to-be-different goes quickly out of fashion and becomes staler than "fleecy clouds." Whoever persists in either form of bad form is dismissed from the authentic choir. Our poets have roamed over the earth and some have settled far from home; their minds *have traveled in all realms of gold,* as it is a poet's right to take the universe for his province. But most of our poets remain in the kind of bondage which is perfect freedom, bondage to the soil or the city street from which they sprang. They live in all parts of the country. Their biographies have essential interest for literary history and criticism. Some are dramatic and will make excellent stories when the time comes to write them. Others have only the stories of their hearts which they have already written or are writing in their poetry.

A young man in Gardiner, Me., has read much, some at home, some during two years at Harvard, and he knows all about the technique of poetry. He knows also the appearances and the insides of his neighbors. In 1897 he publishes *The Children of the Night,* which contains brief narratives and meditations; in ballad form, even in sonnet form, he tells a man's history; the words are plain and ordinary, selected with distinction, the tone of voice quiet with the quiet of a withheld explosion which sometimes occurs in the last line. The book makes little noise and few people hear it. The poet goes to New York to make a living at unpoetic pursuits, publishes *Captain Craig,* which is more poetry of the same kind but stronger and of wider scope, and a new edition of *The Children of the Night.* President Theodore Roosevelt praises the poet in a review in *The Outlook.* The dynamic statesman and man of letters is right this time, finds the poet a small position in the Custom House and lives to see the publication of *The Man Against the Sky* (1916) and other volumes. It

is old news that Edwin Arlington Robinson has received the Pulitzer prize three times. He is the oldest of the new poets, but at 62 he has not begun to yield to the youngest.

A few years younger than Robinson, another poet gave the lie—and Edna Millay later underscored the denial—to the superstition dear to Mencken and others that New England is quite sterile as a subject for poetry and as a birthplace of poets. Robert Frost's *North of Boston* and *New Hampshire* are in their manifest substance as local as their titles, and some of his versified stories, like "The Death of the Hired Man," are hard Yankee granite, or marble, severe as a tale by Mary Wilkins. But Frost is a mystic—so was Emerson—who sees through a stone wall, hears the telegraph wires and smells more than apples in an orchard wind. There is political and intellectual history in his name and in the few extraneous facts about him. (It was he who wrote: "The fact is the sweetest dream that labor knows.") His father was a rebel against the dominant politics of his native New Hampshire, a Copperhead; wherefore the poet's name is Robert Lee Frost. The boy could not stand Dartmouth, but preferred to work in a mill in Lawrence. And he did not like Harvard, which he tried for two years and where he got good marks. He taught school, edited a paper, made shoes, and for eleven years tried with poor results to make a living on his farm. Meanwhile he kept steadily to his own kind of poetry, which magazine editors did not like. Then he went to England, where his first two books were published. After that America, or some Americans, knew that it had another authentic poet, indigenous, solidly rooted as an apple-tree and flexible as a birch.

A Chicago lawyer, very successful in his profession, keeps on publishing with no success, and none deserved, volumes of conventional, derivative literary poetry. When he is 45 he is pulled out of the well-worn ways by that shrewdly independent critic and editor, William Marion Reedy of St. Louis, who gives the poet one of the oldest books of poetry in the world, *The Greek Anthology*. This is also well worn, but Edgar Lee Masters gives it a new turn—into his Middle Western town, and in *Spoon River Anthology* writes the epitaphs, each an autobiography, of the obscure commonplace dead, their defeats, futilities and sufferings, their strifes, often courageous, against themselves, each other, and their surroundings. Together they come alive again and the whole community is reconstructed. The appeal of the book, which was hailed and howled at, springs not so much from its poetic qualities as from its bare essential substance. It is a book of short stories, tough, compact, realistic. Its forerunner, in matter not in manner, is E. W. Howe's *Story of a Country Town*, and its nearest of kin to follow were Sherwood Anderson's *Winesburg, Ohio* and Sinclair Lewis's *Main Street*.

The poetic centre of America, if one can be found in our shifting, sprawling population, is nearer to Chicago than to Boston or New York. Two men helped to move it west and keep it there. And an energetic woman helped, too, Miss Harriet Monroe, who in 1912 founded *Poetry: A Magazine of Verse*, which has survived many brave little magazines and has encouraged many new poets. In 1914 it published "Chicago," an ode to the "Hog Butcher for the World." And so arrived Carl Sandburg. Born in Illinois of Swedish parents (American poets are of many racial strains), Sandburg had an incomparable education in all kinds of jobs in factory and field, and enough formal education at a small college to introduce him to the literature of the world. He was by experience closer than Whitman to the common people, the worker, the farmer, and he could not open his mouth without shouting

and crooning, howling and purring about them, for they were all in him. When he became a literary celebrity (he read "Good Morning, America" as a Phi Beta Kappa poem at Harvard) he was not spoiled; he did not cease to be a brutal rough-neck, because he had never been one except when roughness fitted the subject. He is a tender, almost sentimental lover of men and nature. More than any technical historian, he was equipped to write the poetically conceived and solidly grounded biography, *Abraham Lincoln: the Prairie Years*. When he recites his poems in public he accompanies them with a guitar. *Smoke and Steel* is the clamor of the new industrial age; its heart is as old as the race.

Sandburg makes and lives folk poetry. And so did the troubadour Vachel Lindsay, news of whose death on Dec. 5 comes as these lines are being written. Lindsay was born and lived for years in a house next door to the Executive Mansion of Illinois and had a conventional education, including some study of art in Chicago and New York. Then before he had written much he began his long tramps through Southern States, preaching the gospel of beauty, of communal art. He paid his way with a pamphlet called *Rhymes to Be Traded for Bread;* often the evangelist of poetry, the hortatory bard was well received, and the gentle trade was made. A salvationist in his own way, making converts in the name of the muses, he celebrated another kind of evangelist in *General William Booth Enters Into Heaven*, which lifts the noisy hymns of redemption to poetic dignity. In *The Congo* Lindsay played upon the primitive rhythms of the Negro, which he knew and felt intimately and naïvely before the younger Negro poets ha dbegun to sing of their race and long before the white man had overexploited the black man as theme for drama and song. Lindsay was a pioneer with the pioneer's contradictions, audacious and adventursome, simple and old-fashioned. For all his wanderings he remained a provincial, a belated neighbor of Lincoln and John Brown, and in a rapidly changing America with its increasing sophistication he was already outmoded.

An innovator whose creations have been continuously fresh and whose influence has persisted is Ezra Pound. He was born in Idaho forty-six years ago, studied at the University of Pennsylvania and at Hamilton College, was dismissed from a position as teacher in Wabash College for no crime but that of being a Latin Quarter Bohemian, and left America in 1908 never to return though often invited. He is only one among several American writers who have tried to escape from their native land, and so from themselves. Others are John Gould Fletcher, T. S. Eliot, Conrad Aiken. Artists may live where they will and explore any ideas that please them. Most American poets have stayed at home or returned after much traveling, have loved the past and distant, but have faced the exciting present and the hopeful or desperate future. Discontent, restlessness, rebellion, disillusion are old moods in poetry and are common enough in the living poets; these moods were not, as is sometimes thought, a product of the World War—not in this country; they can all be found before 1914; the revolt and the sadness of the poets preceded the war and came to vigorous expression before the armistice. The war itself was the subject of many poems, patriotic, anti-militarist, ironic, heroic, tender and bitter. Most of them were dead the day after they were born.

The poets had their own wars, which seem to be over. And Pound was one of the most brilliant fighters. He championed every new movement, contributed to it and often dropped it before others made it commonplace. If he did not invent the word imagism, he was the first to emphasize and define it. The battles of the poets over

technical matters of form, free verse, imagism, vorticism, what not, are of value to us now chiefly because in one form or another a poet sometimes wrote a fine poem, and also because the poet as critic sometimes wrote an excellent essay—on which side he argued made great difference to him but not much to readers, unless we have special interest in the principles of poetry.

Ezra Pound, T. S. Eliot, Amy Lowell, Conrad Aiken, Alfred Kreymborg, Louis Untermeyer, William Rose Benét and others are critics as well as poets. Some poets said little or nothing in prose about their craft but learned it for their own uses and went on practicing the art. The experiments and the accompanying discussions were all fruitful and had two excellent results: they freed poetry from set rules, freed it even from the foolish rule that all rules are wrong; and they made it inexcusable, almost impossible, for a young poet not to know the ways, the tricks, the discipline of the game. A versifier may not be inspired, but to get even a respectful hearing nowadays he must know his business; he may not be a concert soloist, but he must be a competent instrumentalist to get a place in the orchestra.

And when we say "he" we mean more than ever in the history of poetry, of literature, "she." Men, as mere men, must look to their laurels. We have had women poets since Sappho; literature and music have been open to women when other houses of life were closed. In our time women are speaking out as never before, and in poetry, at least, they are not speaking too much, but are unfolding their hearts and minds with startling candor, combined with delicate artistic restraint, control, mastery of words. By a happy accident of genius and time, Emily Dickinson, who was born a hundred years ago and was not known to the public until after her death, until our very day, is the mother of contemporary women poets, or rather she is their elder sister, but perennially young, intimate long before them in secret revolt. The master subject of poetry is love; women have been the beloved and men the expressive lovers. Now women are writing and singing their side of the story as lovers, lovers of men, of nature, of God, of children; they have a degree of liberty which Elizabeth Browning and Christina Rossetti did not have and they are using it with glorious, sometimes deadly, effect.

Hilda Doolittle was one of the first, and has remained the most consistently fine, of the imagists. Imagism means many things according to the poet who uses it; it means mainly the choice of the exact word to make a picture, a metaphor, the avoidance of words merely for their fine sound, the belief that rhythm and music must necessarily follow from precise vision, no matter how obscure and intricate the object of the vision. "H. D.," whose modest initials are a symbol and a vision, practiced these principles and tenets again and again with lyrical effect. Amy Lowell, the wealthy aristocrat of Brookline, Mass., more energetic and sometimes more resoundingly explosive than many of the mild wild rebels in the comfortable poverty of Greenwich Village, wrote imagist poems and other kinds; most of her passion seems to have gone into her oppositions and challenges and defenses, disputatious assertions of herself, and also generous championships and controversies in behalf of others or of quite impersonal ideas. An older woman, who was serenely unaware of any dispute, but for years quietly said what she meant in accepted forms, finding perfect freedom in employing them and obeying them, is Lizette Woodworth Reese of Baltimore. Her first book of poems was published forty years ago; her latest is as fresh as her first, and charming as the song of the youngest girl. She is classic in the shape of her verse, wise and original in the substance of it. Her best

known poem, the sonnet "Tears" (she has written many that are as good), was engraved on a bronze tablet, a tribute from her pupils. She was probably too modest to be reminded of the fifty-fifth sonnet of Shakespeare.

On the whole, women poets seek perfection of form; their experimental strivings after new modes and measures are less daring than those of men, less splashy and perverse. A woman who, like Miss Reese, paid no attention to the more recent battles in the old conflict between tradition and revolt is Anna Hempstead Branch. Her "Nimrod," antique and classical, modern and bold, is extraordinary, solitary, in that it is a long narrative in the grand manner. If it had been written in the Elizabethan age or the Victorian age (it could not have been), we should point to it as an example of how the older poets wrote with sustained power, whereas our poets are short-winded and attain only brief perfections. For some reason—nobody knows what determines the popularity of poets—Miss Branch seems to be known only to poets, critics and readers especially devoted to modern verse.

Edna Millay's first book *Renascence* was published in 1917, but the title poem was printed in *The Lyric Year* in 1912, when she was 19, and received such instant and fervent recognition as few poets enjoy in any age. Her marvelous assurance has never left her. On its lighter side this assurance is jaunty and saucy, aware of its virtuosity. In its depths her strength is founded on the solid rock of poetry, and in those depths is sorrow; her sense of sorrow she converts with a magic which may be Celtic into something almost delightful, precious and to be cherished. Sometimes she coddles it and sings the same tune to it. She is in complete command of the sonnet form, in which she is often too facile and merely literary. Several of her sonnets are among the best in the language. No other woman, and surely no man, ever wrote one resembling "What Lips My Lips Have Kissed."

When Elinor Wylie died, death perhaps introduced her immediately into the company of old poets with whom this modern, worldly wise woman had long lived and from whom she had nourished her singular genius; especially had she been akin to the poets like Donne, who are called "metaphysical" because their intellects and emotions are in conflict and at supreme moments are in delicate balance. Only a modern woman could have written *Sequence* with its perfect clarity and the vagueness which is inherent in the substance. Her amazing prose is always clear and shining as the surface of Venetian glass, beneath which are obscurely blended lights. Our modern poets have an uncanny power of saying dark and tangled things with brilliant perspicacity. Elinor Wylie has it, and so, for once at least, T. S. Eliot has it in *The Wasteland*. Life is a complicated, muddled affair, which the poet (and the writer of prose) makes clear if he can; he makes it for us in the English language, to which Elinor Wylie dedicated *Trivial Breath* and which she calls "that conduit whose veins are threaded with pellucid truth." American poets can be parochial, slangy, barbarous, eccentric, more defiant than Whitman, if they have the power; they have touched greatness, and are touching it at this hour, by virtue of their fundamental loyalty to the English language.

America Rewrites Her History

By DEXTER PERKINS

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IT is a familiar generalization that each generation writes history anew. It writes it anew not only because new material comes to light, but because historians, like other people, are impregnated with the spirit of their time; their notion of what is important, and their way of telling it, is inevitably affected by the standards which they see existing around them. American historical writing today is best to be understood and interpreted with this fact clearly in mind.

Our age is, of course, primarily one of science. The scientific point of view has naturally had a profound effect upon history, although the effort to be exact and careful, an essential element in all science, is not particularly new. Historians like Robertson and Gibbon made every effort to attain such an ideal in the eighteenth century; and the great American historical writers of the period before the Civil War, like Parkman and Prescott, went to original materials for their data, and sought to lay a solid foundation for their brilliant descriptions of Frontenac in Canada or Cortez in Mexico. But a great change came with the introduction of the German doctoral methods in American universities in the late 1870s and early 1880s—a change which, setting great store by scholarship, resulted in the marking out of smaller and smaller areas for investigation in the effort to attain definitiveness and exactitude. The forces thus set in operation have never been stronger than they are at the present day.

To the layman the character of some of the current historical investigation might seem altogether too restricted. Certain it is that just as physics or mathematics has a literature which is read only by physicists or mathematicians, so history has today a literature which is read only by historians. Such a literature, however, if carefully pondered, will be seen to be an essential element of real progress in the writing of history. If the subject be genuinely related to some large and significant aspect of the past, the young scholar who investigates a narrow area with a hitherto unused thoroughness is performing an important service and may be contributing to an important new synthesis. In history, as in other subjects, not all that is written is important, and not all investigators expend their energies on tasks which have a vital relationship to the broad view, but much patient and important work is being done whose true value will appear only as it permeates the teaching of the classroom or enters into a broader type of historical writing, giving to both a new solidity and accuracy.

A second important characteristic of the contemporary history is the emphasis which is laid on social and intellectual history, as distinguished from political and economic history. In his Phi Beta Kappa address at Harvard University two years ago Governor Franklin D. Roosevelt alluded to the present era as the era of social consciousness. Certainly the scrutiny of the historian has, in the period since the World War, turned to social phe-

omena cn a scale hitherto unknown. [ot that social history is a novelty; a ind of meager attention has been aid to it for many years; and as long go as the 1880s J. B. McMaster, in is *History of the People of the United tates,* introduced and emphasized so- ial factors which, for the most part, nd relatively speaking, had been eglected in American historical writ- ıg. But the tempo in these matters as been accelerated. Among the most ignificant events of recent years in he field of American history is the ppearance of such series as *The 'ageant of American Life,* a pictorial istory edited by Professor R. H. Ga- riel of Yale University, and *A His- ›ry of American Life,* a narrative ccount in twelve volumes, edited by rofessors D. R. Fox and A. M. Schle- inger. Both of these are concerned 'ith American history from the Colo- ial period to the present day, and mphasize the social point of view— ıanners, education, religion and lit- 'ature—in short, no single phase of merican development, but the whole.

What has been done by the contrib- :ors in these important series has not .ood alone. Many phases of American fe hitherto neglected have been in- :restingly treated during the past :w years. There are, for example, ıch works as Professor J. A. Krout's *rigins of Prohibition,* which traces ıe temperance movement from its be- .nning to the Maine law of 1851, Pro- :ssor M. E. Curti's *The American eace Crusade,* which deals with much ıe same period, and Professor R. E. ıryock's occasional essays on the :velopment of the vitally important ıblic health movement. Of a still 'oader scope, and of uncommon viril- y and power, is the late Professor . L. Parrington's *Main Currents in merican Thought,* in which the liter- 'y development of the United States related to politics and social forces a most interesting fashion.

American religious life has received w attention, not only for the Colo- al era, in which its transcendent importance has made it an attractive field, but also in the post-Revolution- ary period. Professor W. W. Sweet's *The Story of Religions in America* gives a general review of the develop- ment of American religious history, dealing chiefly with the years down to 1860, and H. K. Rowe's *History of Religion in the United States* is a sug- gestive, though briefer, summary of the whole period. Numerous biog- raphies have illuminated the careers of important figures in the history of religion—Jonathan Edwards, Lorenzo Dow, Mary Baker G. Eddy, Brigham Young, Cardinal Gibbons and many others. In religion, as in many other fields, such as architecture and edu- cation, the work of the professional historians naturally does not stand alone. But those whose main interest and whose chief angle of approach to human problems is historical study have undoubtedly enlarged their hori- zon more and more, and are cultivat- ing their field of endeavor in a broader and more catholic spirit than ever be- fore.

The period in which we live is enor- mously interested in economics. Here, too, the spirit of the age reflects itself in history. Long ago Hildreth, the American historian, indicated the eco- nomic aspects of the struggle over the Constitution and the formation of the early political parties; but more solidly and exactly Professor C. A. Beard developed the same thesis in *An Economic Interpretation of the Constitution* and also in his *Economic Origins of Jeffersonian Democracy.* Professor Schlesinger's *Colonial Mer- chants and the American Revo- lution* threw much new light upon the economic background of the Revolution itself. Probably emphasis on economic forces is likely to have more and more effect upon the inter- pretation of our politics, and economic history is likely to command increas- ing attention. Moreover, an interest in the field of economic biography is rapidly developing, as evidenced by new lives of important figures in the

world of business—Vanderbilt, Astor, McCormick, Rockefeller, Morgan and Gary—while at least one of the blatherskites of the period after the Civil War has been amusingly described in R. H. Fuller's biography of Jim Fisk, under the title of *Jubilee Jim.*

In the *Chronicles of America* series, with its fifty volumes covering the whole field of American history, a surprisingly large number of volumes have titles that indicate an emphasis on economic rather than on political history. Works like S. E. Morison's *Maritime History of Massachusetts* and Rudolf Clemens's *American Livestock and Meat Industry* are also illustrative of the interest in this phase of America's past. The establishment of a *Journal of Economic and Business History* is one more evidence of the development that is taking place in this field.

Not unrelated to economic history, though including other aspects of the historical scene, is the history of the West. In 1893, in his path-blazing essay on *The Frontier in American history,* Professor F. J. Turner indicated the immense importance of what had until then been a neglected field. Professor Turner tended to idealize the West as the home of the democratic and liberal spirit, but it was also the seat of riotous speculation, of lawlessness and of unbridled waste. To place it in true perspective is a challenging task for the contemporary historian. Contributions to the understanding of the process are to be found in the general survey of F. L. Paxson on *The History of the American Frontier,* and in such more special works as E. S. Osgood's *Days of the Cattlemen,* Dorothy Dondore's *The Prairie and the Making of Middle America,* and Lucy L. Hazard's *The Frontier in American Literature.*

Another aspect of our time which has expressed itself in historical writing is the aroused interest in, and changing point of view with regard to, international affairs. Only a few years ago there appeared the most ambitious project yet undertaken in the field of American diplomatic history, the ten-volume series known as *The American Secretaries of States and Their Diplomacy,* edited by Professor S. F. Bemis. Diplomatic history is a recognized field of contemporary study, and, while much of the most important work is being done in the European field, American foreign policy comes in for a large measure of attention as well. What is particularly worth noting in this phase of the matter is the tendency toward objective judgment which is constantly making itself felt. The works of J. W. Pratt and J. F. Zimmerman, for example, alter very materially what is, I suppose, still the popular conception of the War of 1812. Instead of being a struggle for the vindication of clearly defined American rights on the high seas, that conflict becomes one in which the emphasis is transferred, at least in a measure, to the existence of a strong expansionist spirit in the United States which pushed a reluctant administration toward the acquisition of Canada and, so it was hoped by some, of Spanish Florida. The Monroe Doctrine, in the light of recent study, becomes no longer a magnificent triumph over the wicked States of Europe, plotting for the reconquest of the Spanish colonies, but a manifesto that was insignificant in its immediate influence. The legend of Roosevelt's defiance of the Kaiser at the time of the Venezuela blockade in 1902 emerges badly shattered from the devastating analysis of H. C. Hill in his study, *Roosevelt and the Caribbean.* In Walter Millis's *The Martial Spirit,* the Spanish-American War has recently come in for a historical treatment which makes it something very different indeed from the "splendid little war" that John Hay once called it.

Strictly speaking, the history of the American Revolution is not diplomatic history. But a George Bancroft would be surprised, indeed, to discover the tone in which it is treated by such

American historians as Professor C. M. Andrews and the late C. H. Van Tyne. The notion that there were two points of view, each tenable by men not irrevocably vicious in character or feeble in intellect, has penetrated American historical writing deeply, and is not now likely to be displaced.

In view of popular misunderstanding, the new viewpoint on this phase of American history deserves especially to be emphasized. There are still many persons, apparently, who misunderstand the method of the scientific historian in treating of the American Revolution. It is well that we should take pride in our national past; but it is certainly not to be desired that we should view that past through some haze of false sentiment, or twist the facts for the purpose of patriotic propaganda. The American Revolution was a landmark in the development of modern conceptions of liberty and of democracy; the historian must consider it as such; but he is not exempted from pointing out its less lovely side. He will have to point out the fact that not only did heroism and high motives inspire its leaders, but also that, like all revolutions, our own was disfigured by the acts of private violence, the politi.al jobbery and the very human selfishness that were sometimes associated with the patriot cause, just as, on the other hand, he will seek to render justice to the best of the Loyalists. After 150 years it is surely permissible to strive to see things coolly and fairly, and not through the mists of prejudice. On this point the American Historical Association, representative of the historical interests of the nation, has spoken out with a definiteness and resolution which reflect the deepest convictions of the historical profession.

I have now spoken of social, of economic and of diplomatic history. But politics and biography retain their spell for many historians, as they do for the general public. An interesting aspect of political history is the effort which has been made in recent years to redress the balance between the Federalist-Whig and the Democratic schools of thought. Claude G. Bowers, starting from the hypothesis that such a redressing of the balance was eminently necessary, has carried it through his three volumes on *Jefferson and Hamilton, Party Battles of the Jacksonian Period,* and *The Tragic Era.* To historical specialists these vigorous partisan interpretations may hardly have been necessary, but to the lay reader of history they have an undoubted value. James Ford Rhodes made up his mind some thirty years ago that the Reconstruction policy of the Republican party was a ghastly mistake; monographs such as those of W. L. Fleming and J. W. Garner, and still more the untiring scholarship of Professor W. A. Dunning, established the fact beyond dispute for the teacher of history. Yet many people seem to believe that *The Tragic Era* reveals a totally new view of the period with which it deals. The critical view of the dominant elements in American political life seems still to be needed, not because it is always sound or just, but as a corrective to the narrow and smug philosophy which accepts American political development as a process wholly noble and righteous.

Another redressing of the balance which may be included here, though it has, of course, economic and social as well as political implications, is that pertaining to the slavery controversy. Northern views of slavery have been generally patterned upon the seventy-year-old view of the abolitionist agitator upon the subject. But slavery has been subjected to careful and scholarly analysis by modern historical scholars. A key volume, from this viewpoint, is Professor U. B. Phillips's *Life and Labor in the Old South.* While no reasonable man would deny that economically and socially the South profited in the long run from the abolition of slavery, it is easier than ever before to understand that

the slave system was far from being an unmixed evil, indeed that in many cases it may well have been gentle and humane. It is still simpler to understand how easy it was even for a conscientious and benevolent Southerner to accept slavery as an inescapable necessity, and to regard the abolition agitation in the North as purely subversive of existing rights, and as tending toward anarchy.

The understanding of the Southern point of view displayed in such works as Professor Phillips's is equally evident in the field of biography. Recent lives of Jefferson Davis, such as Professor H. J. Eckenrode's, picture him sympathetically. On the other hand, R. P. Warren's *John Brown* deals with this anti-slavery zealot in a spirit very different from that of abolitionism. The plot which Brown hatched against the South is here treated as an act of monumental folly rather than as a noble martyrdom, and Brown himself becomes less a hero than a fanatic. More striking than any of these works, perhaps, in illustrating the new view is the late Senator A. J. Beveridge's remarkable biography of Abraham Lincoln. The tone of eulogy, common to most of the biographies of Lincoln, is exchanged for the note of critical analysis. Lincoln emerges as a remarkable and cautious politician—although a politician with convictions—but the whole character of the slavery controversy in its political phases undergoes a change from a crusade of righteousness against sin to a political battle in which there was a case for more than one point of view.

In biography, historical writing probably approaches nearest to popular demand. Here a number of tendencies are at work, not all of them particularly acceptable to the sober and scientific historian. One of these is the tendency toward a kind of historical impressionism. For example, a recent biography of Commodore Vanderbilt constantly quotes this gentleman in the first person, when there is not the slightest chance of the author's really knowing what the peppery capitalist actually said. The tendency to draw upon the imagination to give vividness to what, it is feared, would otherwise be too dull a narrative, is one which cannot be regarded with sympathy, but it is here, none the less. No doubt those who practice this form of romance would justify themselves by Thucydides!

Another type of biography is also somewhat in the vogue—the iconoclastic biography. A good example is to be found in a recent life of Henry Ward Beecher. This work is heavily documented, and has the apparatus of scholarship, but its interpretation of Beecher's life emphasizes his weaknesses and makes him nothing more than a kind of clerical politician. No satisfactory answer is given to the question why a man whose life was touched with scandal nevertheless retained the enthusiastic allegiance of his congregation, or why one who, according to hypothesis, was a mere time-server, exercised so large an influence.

Works of this type, however, have, in general, not come from the pen of the professional historians. Many of the biographical works which have been alluded to, incidentally, in considering other aspects of our subject, measure up to the best canons of historical scholarship. A new series of American biographies, under the editorship of Allan Nevins, who is already well known for his numerous historical contributions, among them lives of Frémont and Henry White, will be written by scholars of solid reputation, and will, no doubt, avoid the vagaries of the impressionist and iconoclastic schools.

What is wanted in biographical writing, of course, is neither eulogy nor cynicism, but a realistic picture of the man which presents a frank description of his weaknesses and his errors, and places them in just propor-

tion to the whole. At the bottom of any really first-rate interpretation of an important historical figure must be an appreciation of the forces or personal characteristics which made the given individual influential or important. The Beveridge biography of Lincoln is a striking example of what can be done from this point of view.

Before we leave the field of biography attention should be called to a work of the largest importance which owes much to *The New York Times*. This is the *Dictionary of American Biography*, seven volumes of which have now been published, down to the name Grimké. This work, financed through the generosity of Adolph S. Ochs, will hold a place of genuine eminence in the field of American scholarship. Under the editorship of the late Allen Johnson, it set a notable standard not only for scholarship but for the literary quality of its articles. Under the present guidance of Dr. Dumas Malone, it is being carried toward completion on the same high plane. In its broad scope and wide view it will represent when finished as fine an achievement as any to which American historians have ever devoted themselves.

Obviously there is plenty of vitality and plenty of activity in American historical writing. Perhaps the main danger that confronts such writing is a danger to which Theodore Roosevelt called attention in his presidential address to the American Historical Association nineteen years ago on the subject, "History as Literature." Dealing with this subject with his customary vigor, Mr. Roosevelt pleaded for a proper appreciation of the importance of literary values in history. The plea is one which needs to be heard, because it cannot be stated with safety at the present day that the most scholarly history is also the most readable history. Yet if the scientific historian is to discharge his full responsibility to society, he must write so that he can be read. What he says, he can be confident, will gradually make its way into the public mind. But the process would be much accelerated if he might speak, more frequently than he does, to a wide audience; if, basing his work as solidly as he can upon his data, he would write upon interesting and challenging subjects in an interesting way. In the last analysis, history must have both a broad social view and a broad social purpose. It is part of the task of the historian, not necessarily to popularize the past, but certainly to make it intelligible and useful to the greatest possible number of people.

In many respects the historical profession is more aware than it has ever been before of the measure of its duty. The mighty word of Terence: "I am a man; nothing that is human do I deem alien to me," has never been more fully realized than it is today. In interpreting the richness and variety of human life, the historian will have need of bringing to the illumination of the past not only the most exact and complete knowledge but the finest literary gift which he can muster. He must be an artist.

The Super-Microscope: Latest Tool of Research

By WATSON DAVIS
Managing Editor, Science Service

SINCE the days when Leeuwenhoek first saw micro-organisms and Robert Hooke revealed the structure of common things and insects, there has been a continual improvement in the optical devices of scientists. Magnifiers now commonly found in the desk drawers of nearly every one would have been prized instruments of research when the enlarging glass was introduced into European science and society some 300 years ago. Magnifications of fifty to a hundred times were wonderful achievements for early microscopes, and even today magnifications of 1,000 diameters require careful and experienced workers and the best of instruments. About 1,800 diameters is considered the limit of ordinary attainment with the best microscopes in common use in research laboratories. With ultra-microscopes magnifications of some 5,000 diameters can be obtained, but in this technique a camera and photographic plates must be substituted for the eye, and ultraviolet light of short-wave length used instead of ordinary visible light.

Dr. Royal Raymond Rife of San Diego has recently reported the development of a "super-microscope," an instrument in which the entire optical system, illuminating unit as well as lenses, is made of quartz instead of glass. It uses polarized light, that is, light passed through crystals that stop all rays except those vibrating in one particular plane, and achieves magnifications of from 5,000 to 17,000 diameters. Most important, also, is the fact that it can be operated with the human eye and need not rely on photographs. It is but natural that the Rife microscope should be used in the solution of one of the latest developments in bacteriology, the discovery by Dr. Arthur I. Kendall of Northwestern University Medical School that ordinary bacteria have an "invisible" filterable state through which they pass undetected by the conventional methods of bacteriology.

Through the cooperation of Dr. Kendall and Dr. Rife at the Pasadena (Cal.) Hospital, the new microscope was turned on the invisible form of one of the common disease germs, that of typhoid fever. For the first time there have been seen the exceedingly minute moving bodies that apparently carry the life of bacteria when they are induced to "dissolve" into forms that will pass through the pores of the finest porcelain filter and still permit the bacteria to resume their microscopically visible bodies upon suitable treatment. The typhoid bacillus used by Dr. Kendall is a fairly large germ as germs go, easily visible in its ordinary state under the higher-powered lenses of a compound microscope. By feeding it on his recently evolved "K medium," which is a food for germs like the fare they relish in the animal body, Dr. Kendall induced the bacilli in his cultures to pass over into the filterable phase, which is usually invisible. Under the highest power of the ordinary microscope, he

could see nothing moving in the field except a swarm of tiny motile points. Examined with the Rife microscope, however, these points became plainly visible as small, oval, actively moving bodies, turquoise blue in color; they are considered to be the actual filterable forms of the typhoid bacillus.

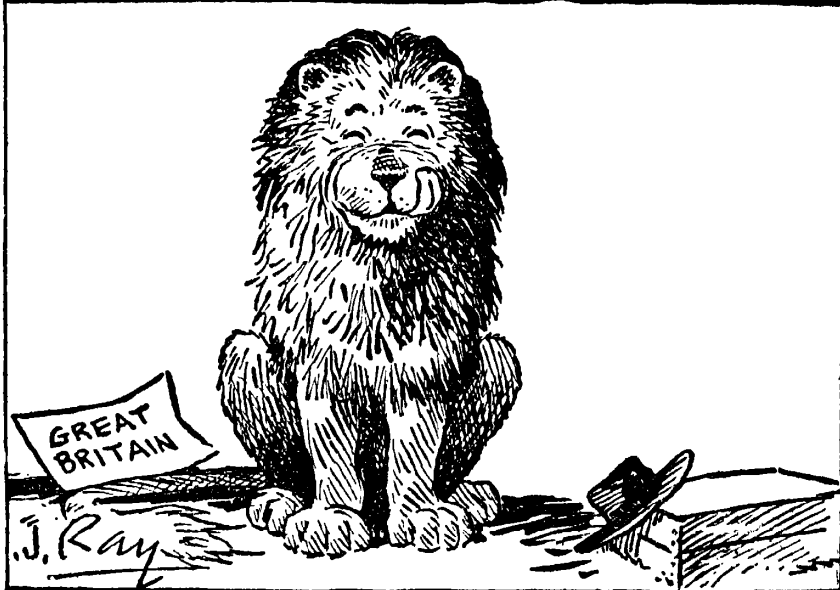
Dr. Kendall performed another and more critical test. He caught the bacilli in the act of changing from the filterable to the non-filterable phase of their existence. In "K medium" cultures of more than eighteen hours' growth only the filterable form was found, but in younger cultures he discovered full-sized unfilterable bacilli, the small turquoise blue bodies, and also peculiarly altered bacilli within whose substance the turquoise blue bodies could be seen.

The attack upon the invisible world continues on other fronts. One of the newest of the artificial eyes of man solves a double problem. It is a combination of a motion-picture machine with the microscope and is able to see how the "death whisper" operates upon small samples of living matter. The death whisper is a nickname for the intense and inaudible sound waves that break down and kill living cells. These waves are set up by subjecting specially cut quartz crystals to extremely rapid electric oscillations.

Their deadliness to living cells was discovered accidentally by Professor R. W. Wood, physicist of Johns Hopkins University, in the course of some experiments in submarine detection during the war. Later he and his friend, Alfred L. Loomis, banker-scientist, of Tuxedo Park, N. Y., investigated the death whisper and found it deadly to lower organisms, even those as complex as tadpoles and little fishes. Professor E. Newton Harvey of Princeton University has also aided the research.

At first the experiments were conducted crudely, and the scientists could see the result but not the means. Mr. Loomis and Professor Harvey finally devised a method of mounting the crystals on the stage of a microscope and laying small samples of living stuff of various kinds, small clumps of cells, on top of them. Looking down the barrel of the microscope they could be "in at the kill" when the dance of death was turned on. But the dance was violent and the end was sudden, too fast for the human eye to follow. It was obviously necessary to split up these sudden events into fractions of about one two-thousandth of a second each in order that each stage of the destruction might be studied. There was needed some sort of ultra-rapid movie camera that would take ultra-slow motion pictures. In one respect their problem was simpler than that of the high-speed motion-picture camera. They did not need continuous pictures; they wanted only a series of "stills." So they decided that instead of pulling a long film behind a stationary lens while a shutter blinked off and on, they would hold the film still and move a part of the lens system, spotting each exposure on a fresh place on the film.

For the camera box they used an ordinary round film can and laid a piece of unexposed film around its inside circumference. The microscope object glass was inserted in a hole cut in the centre of the bottom of the can and a right-angled glass prism was mounted on the inside of the lid to bend the image and reflect it on the photographic film. To move the image between exposures, the scientists arranged that an electric motor mounted on the top of the lid would spin the prism. Instead of shutter and a steady light, a rapidly flashing light was used, a mercury vapor lamp, which reacts in two-thousandths of a second and gives the bluish actinic light that affects strongly the photographic emulsion. The row of switches to this light, in the form of contact buttons swept by a wire, was mounted on the shaft that rotated the photographic film. The lamp was flashed on and off automatically and as a result a series of micro-photographs was obtained.

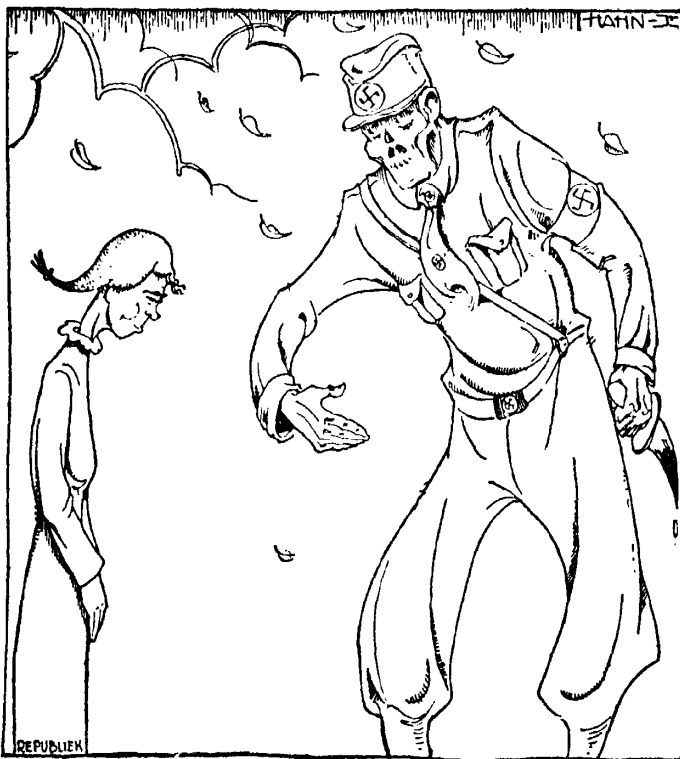
Current History in Cartoons

HE FINALLY DECIDED TO TRY IT

—Kansas City Star

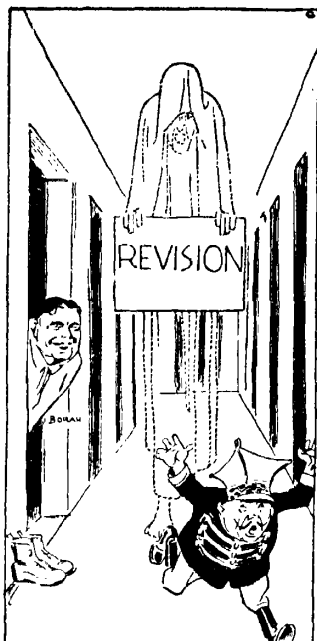
GRANDI'S AMERICAN REHEARSAL

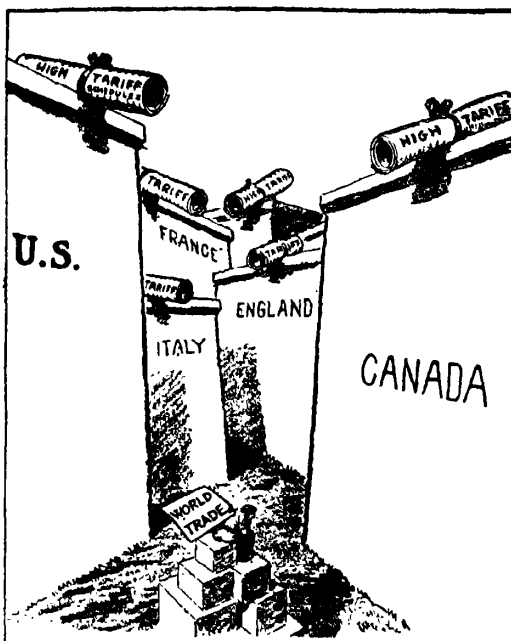
—*Boston Herald*

PERFECT BALANCE

—*Brooklyn Daily Eagle*

NAZI OVERTURE TO GERMANY

"Fair child, would my company please you?"

—*De Notenkraker,* Amsterdam

BORAH SCARES POLAND WITH THE CORRIDOR GHOST

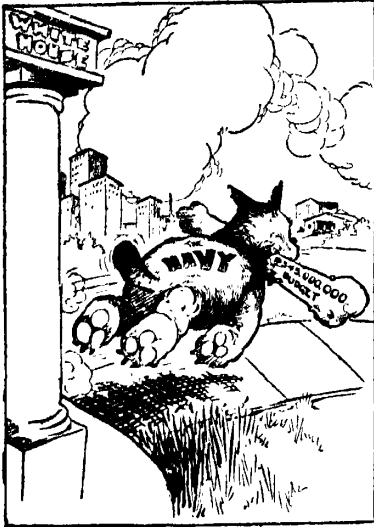
—*Kladderadatsch*, Berlin

WARFARE THE UNITED STATES COULD STOP

—*Brooklyn Daily Eagle*

THAT REVOLVING FUND

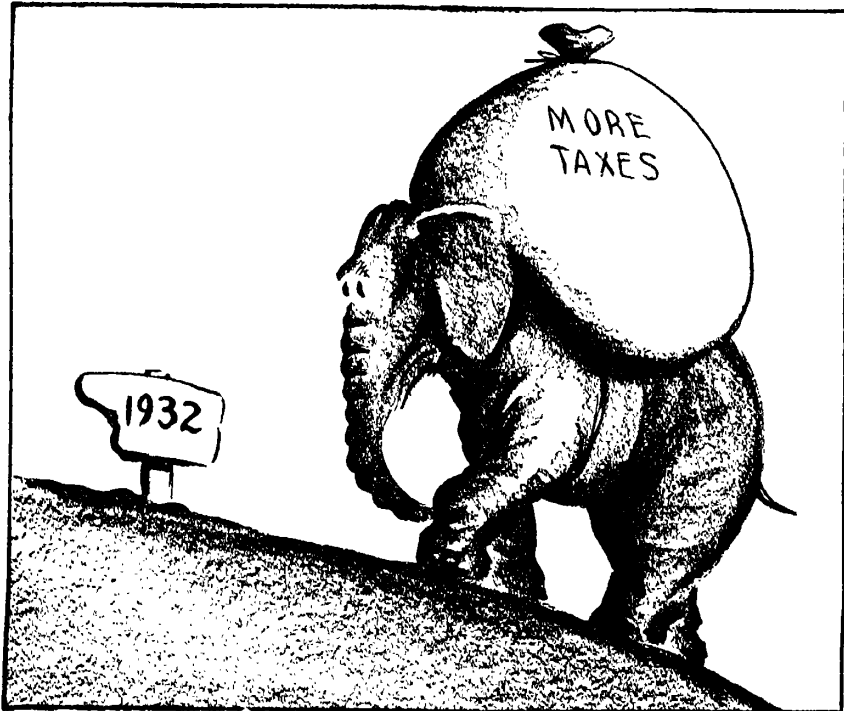
—*Boston Transcript*

"I ALWAYS THOUGHT THERE WERE TWO BAGS"

—*St. Louis Post-Dispatch*

HE WON'T STARVE, AT LEAST

—*Philadelphia Inquirer*

TIMES HAVE CHANGED

—*Philadelphia Inquirer*

AN UPHILL RACE

—*St. Louis Post-Dispatch*

A Month's World History

The International Outlook

By JAMES THAYER GEROULD
Princeton University; Current History Associate

THOUGH the international outlook, as 1931 draws to a close, is far from reassuring, the attention which Americans have of necessity found themselves devoting to the outstanding unsolved problems of the present time has undoubtedly had one highly valuable result—it has advanced the education of America. The chief effect, for instance, of the visits of the Premier of France and the Foreign Minister of Italy was educational. For two months the newspapers were able to feature comity in international relations, because the visitors gave it news value. It was not propaganda of the ordinary sort—nor high pressure publicity; but there can be no doubt that American opinion is much more ready for cooperation in international affairs, and if need be for concession, than before M. Laval and Signor Grandi came.

During the period of our highly advertised prosperity, we were able to view the plight of Europe with a certain detachment, not to say self-satisfaction. We were not as other men are. We were sorry for the foreigners, of course, but we reflected that the situation was their own fault—and turned to the stock quotations to learn today's price of General Motors. When the balloon burst and landed us with distressing violence on the earth—and a large number of us on the rocks—it took quite a long time to recover from our astonishment. Slowly we are coming to realize that we live in the world, not solely in the United States; and that, however unfortunate may be the fact, we cannot escape the effect of the forces that have resulted in misery more widespread, if not so poignant, than was that of the war. Our geographical isolation and our parochial daily press make these ideas slow in penetration. We needed something spectacular to call them to our attention. Very definitely the visit of the foreign statesmen has done this.

Although the joint statement, issued on Nov. 19, purporting to record the results of the conversations between Mr. Hoover and Signor Grandi, was a monument of diplomatic indefiniteness which defies any attempt to read into it anything that is concrete, it served its purpose. The important thing was that Signor Grandi was here and was heard over the radio, and that Signora Grandi shopped at Woolworth's and was photographed with a baby in her arms at the Columbus Hospital. It caught the popular imagination, and made it much

easier for the Congressmen from the Second District to vote, when the time comes, for war debt revision; and it acted as a sound absorber for the roar of Senator Johnson.

The indefiniteness of the official statement was by no means characteristic of the speeches made by Signor Grandi before the Council of Foreign Relations and the Foreign Policy Association. Both were admirable from every point of view, carefully reasoned, clear, statesmanlike, and devoid of any excessive nationalism. He discussed the necessity for a more general understanding of the community of interest among the nations and for common attack on their economic and financial problems. He favored a revision of reparations and expressed the willingness of Italy to accept a "definite and proportional sacrifice for the common good." Security, he said, is a result rather than a condition of disarmament, for armaments breed distrust and fear. Italy is willing to reduce hers to the lowest level provided "an equitable balance of military strength can be reached." She cannot accept, however, the theory of "absolute needs" advanced at the London conference. As for the coming disarmament conference, he will be "satisfied if it succeeds in stopping the competition in armaments and in making a first step toward reduction."

Signor Grandi sailed from New York on Nov. 27, leaving behind him an impression of absolute sincerity and genuine statesmanship.

The return of Premier Laval to Paris, after his visit in Washington, enabled active discussion of the various international financial obligations of Germany to be reopened. For ten days the French and German Governments jockeyed for position. The Germans maintained that the examination of their financial situation for which they are seeking must cover the whole field—reparations under the Young Plan, interest on public and private long-term loans and the short-term credits which must be renewed in February. This proposal met with no favor in Paris. The German Government, the French maintained, had freely accepted certain obligations in agreeing to the Young Plan and it was impossible for them to consider any project which involved or might involve an abrogation of the unconditional annuities. The compromise finally reached was incorporated in the note dispatched to the Bank for International Settlements on Nov. 19:

"The German Government herewith proposes that the Bank for International Settlements convoke a special advisory committee as provided in the Young Plan of The Hague agreement of Jan. 20, 1930." The note then goes on to recite that early in 1931 the government had become convinced that "despite the greatest possible reduction of State expenditures and repeated increases in taxation," it was unable to continue the payment of annuities under the Young Plan. This decision was followed in June by the Hoover proposal of a moratorium for one year on the payments on all war debts and reparations, the London conference in July, the Basle credit maintenance agreement and report of the Wiggin committee. All the arrangements thus far made are provisional and temporary in character, and in the meantime the situation has become extremely acute. "The world has come to realize more and more the inner connection between the different financial problems caused by the present situation and the necessity for attacking them as a whole." The appointment of the committee proposed would be the first step toward the establishment of broader general measures, on the part of governments, which would lead to a permanent settlement. The German Government certifies, in accordance with the provisions of the Young Plan, that "Germany's exchange and economic life may be seriously endangered by further transfers in part or

in full of the postponable portion of her annuities." This declaration does not, however, fully meet the situation. Since the Young Plan was prepared there has been an unprecedented crisis and it is now necessary for the committee to "examine the problem in its entirety with due consideration for all the component factors, and especially to take into account that the question of Germany's private indebtedness must be newly regulated in good time before the end of February, 1932, and this by means of an agreement to be concluded between foreign creditors and German debtors."

The committee, consisting of Signor Beneduce of Italy as chairman, Charles Rist of France, Emil Francqui of Belgium, Sir Walter Layton of Great Britain, Carl Melchior of Germany, Walter W. Stewart of the United States and Mr. Nohara of Japan, held its first meeting in Basle on Dec. 7. Four additional members, E. Bindschaedler of Switzerland, H. Colijn of Holland, Otto Rydbeck of Sweden and George Durich of Yugoslavia, were designated at this session. It was understood that the committee had only consultative functions and that its action must be followed by an official conference, with power to commit the governments to definite action. The momentous character of the decisions that this conference must reach can hardly be overestimated. If political considerations prevail, if the governments, or any of them, insist on their pound of flesh, on a rigid adherence to the formulae on which thus far their action has been based, and there is no compromise, the future is very dark indeed.

In order to understand the negotiations that are to follow, certain facts must be kept in mind. Germany has foreign obligations, in reparations amounting to about $9,000,000,000, in long-term loans about $6,000,000,000 and in short-term borrowings about $2,000,000,000—a sum now estimated at nearly $3,000,000,000. While a fraction of this money has doubtless been spent unwisely the vast majority of it has gone into the re-establishment of the industrial plant, on the product of which the payment of reparations is conditioned. Deprived of her foreign market by the mania for nationalistic tariffs and of her liquid capital by inflation, she was compelled to borrow. The interest rates were high, and American and British bankers offered her money with both hands. Even after bonds could no longer be sold they competed with each other in offering short-term credits. When the crash came these credits formed a large part of the working capital of Germany and its withdrawal spelled ruin, only averted by the Basle agreements. Germany now seeks freedom from reparations, which she regards as tribute forced from her by an unjust treaty, and the transformation of her short-time credits into long-term bonds. At the least she desires that the payment of interest on her foreign loans should have precedence over reparation payments. She argues that if reparations are paid the interest cannot be, her foreign credit will disappear, and with it all possibility for paying reparations.

France bases her whole system of European leadership on the Versailles Treaty; and the reparation payments are necessary if she is to meet her own foreign obligations. She argues that if treaty obligations are not to be held sacred the whole structure of international relations will fall. Her investment in German securities is insignificant, and she contends that those of Great Britain and the United States were ordinary speculative risks, second mortgages of a sort and subject to the first mortgage which she holds. If the Germans are in trouble it is their own fault. French memories of suffering during the war are very keen, and no doubt a desire for revenge plays its part. Only very recently has

France felt economic distress; but that now reinforces an intellectual conviction that she cannot allow Germany completely to be ruined. The present French Government undoubtedly desires economic rapprochement.

Great Britain is only interested in reparations in so far as they enable her to meet her own foreign obligations. She has always been ready to scale the one with the other. Her investments in Germany are large, and it would be a catastrophe if they should be lost. She prefers precedence for the private obligations and has very little affection for the Versailles Treaty, but she realizes that she cannot afford to break with France.

Our own position is well known. Hardly a ghost of respect is now paid to the doctrine that war debts and reparations are not related, and early in December Walter W. Stewart was boldly appointed by the Federal Reserve Bank as a member of the special advisory committee of the Bank for International Settlements with no trace of the subterfuge that marked Mr. Wiggin's appointment no longer ago than last July. We now recognize that if reparations are cut the war debts must be. If they are not cut we are likely to lose heavily on our foreign investments. We still cling to the formula "capacity to pay," though that, too, is likely to be severely strained during the next few months.

The major problem of German indebtedness has almost eclipsed in interest the work of the Franco-German Economic Commission set up as a result of M. Laval's visit to Berlin. Its initial sessions were held in Paris during November. Immediate results are not to be expected, and many of its plans must await a determination of the financial obligations of Germany. The commission aims to explore the possibilities for economic cooperation in air, water and railroad transportation, in the exploitation of foreign markets, in the extension of cartels and trade agreements. Its discussions have been completely without rancor, and excellent progress has been made.

The prospects for a successful disarmament conference are far from good. The feeling is almost universal that the conditions under which it must meet are most unfavorable and that it would be wise to postpone its sessions until more normal times. As yet no one of the nations has been willing to assume the onus of suggesting a later date. The official attitude everywhere is that there is to be no delay. Delegations are being selected, preparations are being made. Prime Minister MacDonald will lead the British delegation, Dr. Bruening the German, M. Laval the French, Signor Grandi the Italian. If Secretary Stimson should appear for a time as the leading American delegate he would soon have to be replaced by one of the other members, as the sessions will undoubtedly be prolonged. The chairmanship of the conference still lies in the hands of Arthur Henderson, Foreign Minister in the late British Labor Government, who was selected as an individual rather than in his official capacity. Since he is now scarcely on speaking terms with Mr. MacDonald, a very awkward situation is created. According to present arrangements, the conference is still due to take place in February.

Great difficulty continues to be experienced by the League of Nations in bringing about a compromise to end the conflict in the Far East. The account of the negotiations at Paris, printed on pages 507-512 of this magazine, is an exhibition of infinite tact and forbearance, the only result of which thus far is that the trouble has been limited within narrow bounds. That in itself is something. If the civil government in either Nanking or Tokyo had any effective control of the armies which are supposed to represent them, the situation would be a very different one. In case after case the troops have advanced after an

agreement that they would not move, and the government has been compelled to justify the action after the fact. The failure of our government to give effective cooperation to the League Council is a fact that cannot be denied, and it throws on us a heavy responsibility. Ambassador Dawes, to be sure, has been in Paris; but, as one of the correspondents has put it, he does not dare to cross to the left bank of the Seine lest he be accused of too near an approach to the League. He has been in frequent conference with the Chinese and Japanese representatives, but he has kept aloof from the other members of the Council, and they never know how far our government will go along with them. Secretary Stimson, despite his promise of complete cooperation, has allowed it to be known that he would support no sort of compulsion or demand on either Japan or China. As a result, he has very largely nullified the effect of M. Briand's efforts to bring about a settlement. What might be the result of more vigorous action is well illustrated by the incident on Nov. 28, when a private utterance of the Secretary to the effect that the Japanese Army had "run amuck" was reported as an official statement, and immediately officially denied. The Japanese papers raged, but the advance on Chinchow was halted.

Mr. Hoover Faces Nation's Problems

By E. FRANCIS BROWN
Associate Editor, Current History

THE annual Presidential message reviewing the trials and tribulations of these United States was sent on Dec. 8 to Congress where its reception, as in the nation at large, varied according to the political and economic interests of those who listened to its reading or later had occasion to read it themselves. The message was notable for three reasons: it was introductory to specific messages which were to follow, notably in regard to the budget and foreign relations; it was extremely specific on matters to which the President is opposed; its proposals for restoring stability in the economic life of the country were based upon an assumption that the happy days before 1929 were in themselves normal and stable. This desire to restore former prosperity and property values has been apparent in the President's earlier proposals for alleviating the present national distress; it is a philosophy with which many professional and lay economists disagree. (See the article, "Flaws in the Hoover Economic Plan," on pages 525-531 of this magazine.)

The President's message was not entirely a message of despair, for he has found hope even in these weeks and months of depression. Nevertheless, he was forced to point out that "the chief influence affecting the state of the Union during the past year has been the continued economic disturbance. Our national concern has been to meet the emergencies it has created for us and to lay the foundations for recovery." After reviewing briefly the national defense, foreign affairs and the general domestic situation, the President turned to the measures which he proposed for the stimulation of economic recovery. Admitting that "speculation, inflation of securities and real estate, unsound foreign investments and mismanagement of financial institutions" were some of

the causes of our present difficulties, he declared that "our self-contained national economy" would have recovered long since had it not been for "the continued dislocations, shocks and setbacks from abroad." This being so, the President maintained that "if we can put our financial resources to work and can ameliorate the financial situation in the railways, I am confident we can make a large measure of recovery independent of the rest of the world."

"The first requirement of confidence and of economic recovery," said President Hoover, "is financial stability of the United States Government." In this regard he pointed out that during the fiscal year ended on June 30, the government incurred a deficit of $903,000,000 (the deficit for the five months between June 30 and Nov. 30 was $858,743,000). Despite large economies the national debt during the year increased about $1,711,000,000. As a result the President advocated temporary tax increases to cover part of the deficit—the remainder to be met by borrowing.

Specific tax increases were recommended in the President's special budget message on Dec. 9. At the same time Secretary Mellon's annual report was made public. Outstanding among the proposed taxes were increased rates of taxation upon private and corporation incomes, higher taxes on amusements, on tobacco products, and new taxes upon the manufacturers' sales of automobiles, tires and accessories, radios and phonographs, upon checks and drafts, certain telephone, telegraph and cable messages, and upon realty conveyances. An increase in postal rates was also recommended. In most essentials the proposals meant re-enactment of the 1924 revenue act. It seemed most unlikely that the President's proposals would become law without many drastic changes. With the Democrats in control of the House, observers believed that a Democratic plan would be introduced which in most essentials would ignore the program set forth by President Hoover and Secretary Mellon.

For relief of the banking structure of the country—to which the President has already devoted considerable attention—various proposals were put forth in the annual message: (1) Subscription of further capital by Congress to the Federal Land Banks; stabilization of the bonds of these banks through outside support of the banks; provision for distribution among depositors of at least part of the deposits of closed banks; (2) establishment of home-loan discount banks, a proposal which was made on Nov. 13 for the purpose of putting life into stagnant mortgages on homes and farms used for farm purposes, and which at that time received warm endorsement by the national conference on home ownership and housing; (3) establishment of an Emergency Reconstruction Corporation similar to the former War Finance Corporation to which the treasury would be authorized to subscribe some capital and which would make credit available to facilitate exports and for agricultural agencies, and which would make temporary advances upon securities of certain industries, railways and financial institutions which at the moment are unable to obtain credit; (4) extension of the eligibility provisions of the Federal Reserve act—a proposal made on Oct. 6, which, at first receiving general approval, has since been opposed by the Federal Reserve Banks themselves; (5) establishment of a sounder banking system.

The President's message, like those of so many of his predecessors, ranged over a wide field. Referring to the railroads he recommended "proper consolidation" in order to reduce operating costs and declared that the prosperity of the roads "is interrelated with the prosperity of all industries." He advocated study of the anti-trust laws, not in anticipation of their repeal but rather of their revision in the

light of economic change. Coming out specifically against "any direct or indirect government dole," the President advocated unemployment relief through rehabilitation of the general economic structure—a program not likely to appeal to those at present out of work or to their spokesmen in Congress.

Among the subjects requiring legislative action, the President listed Muscle Shoals, interstate electric power, the Shipping Board (which the President recommended should be transferred to the Department of Commerce), the administration of building public works, law enforcement and improvement of inland waterways and harbors. The President expressed opposition to any further expenditures for veterans' relief until the nation had emerged from its present situation, thereby disappointing the hopes of many ex-soldiers.

In a period of distress which many people attribute in part to protective tariffs, there was disappointment that the President could declare: "I am opposed to any general Congressional revision of the tariff." Yet in this regard, it must be said, even the Democrats appear loath to tinker with the tariff until business conditions are improved.

An outstanding omission in the President's annual message was any mention of prohibition. The elections of the past year have strengthened the anti-prohibition forces in both the House and the Senate and it now seems likely that a vote on prohibition will be taken in the present Congress. At any rate the leaders of both houses have promised such a vote, although it may well be that prohibition will be forgotten momentarily during the strenuous session which lies ahead.

President Hoover's special message on American foreign policy was sent to Congress on Dec. 10. Although the message was primarily to ask Congress to ratify the one-year moratorium on intergovernmental debts which was proposed by the President last June, the whole field of American foreign relations was covered. In urging ratification of the moratorium proposal the President said: "I am suggesting to the American people that they be wise creditors in their own interest and be good neighbors."

In regard to reparations and international debts the President reiterated the well-known American position, saying: "Reparations is necessarily wholly a European problem with which we have no relation." "I do not approve," he said, "in any remote sense of the cancellation of the debts to us." On the other hand, he pointed out that it is clear that "a number of the governments indebted to us will be unable to meet further payments to us pending recovery in their economic life." To meet this situation the President recommended the revival of the World War Foreign Debt Commission to deal with problems which will arise from intergovernmental debts during the present crisis.

The President's message then reviewed the efforts made toward disarmament—including the present one-year armament truce—the Manchurian situation, the visits of Premier Laval and Foreign Minister Grandi, the treaty negotiations relating to the St. Lawrence waterway, and our relations with Central American and South American States.

Among the treaties and conventions now pending which the President urged the Senate to approve is the protocol providing for the adherence of the United States to the World Court. Once again he advocated that the United States join the court, since "for over twelve years every President and every Secretary of State has urged this action as a material contribution to the pacific settlement of controversies among nations and a further assurance against war."

The Congress, which with mixed sentiments listened to the reading of the Presidential messages, had convened

on Dec. 7. For the first time in twelve years the Democrats were able to organize the House, electing John N. Garner of Texas to the Speakership by 218 votes out of the 430 that were cast. Through recent Democratic victories in Texas and New Jersey, the party holds 219 seats in the House. The Republicans have 214, Farmer-Laborites 1, and there is still one vacancy. Henry T. Rainey, Representative from Illinois, is the new Democratic floor leader in the House, while Bertrand L. Snell of New York, after defeating Representative John Q. Tilson of Connecticut for the post, is floor leader for the Republicans.

Organization of the Senate was delayed as a result of Insurgent opposition to the election of Senator Moses to his former post as president pro tempore. The stand against Senator Moses will undoubtedly prove a test of the strength of the Insurgent bloc and for that reason may have considerable effect upon Senate action during this session.

The attitude of Congress toward the President's program for relief in the present crisis of course could not be prophesied. There has been talk of a party truce until the President's emergency program has been enacted, but any one familiar with previous American history will be skeptical that such a truce can last long. While measures for relief of the Federal Treasury must be enacted and steps must be taken looking toward the restoration of stability in the general economic structure of the nation, it must be remembered that even a national crisis cannot divert the minds of Congressmen from the coming national election and from the probable effect upon their own particular fortunes of any action taken during the present session of Congress.

PRESIDENTIAL PROSPECTS

With the Presidential election looming ever larger on the horizon, the nation has begun to show interest in straw votes and to discuss political prospects. The renomination of President Hoover by the Republicans seems a foregone conclusion in spite of Senator Hiram Johnson's invitation to the President to retire as the party's candidate, thus earning "the undying gratitude of the rank and file of the Republican party." Vice President Curtis on Nov. 30 announced that he would accept the renomination if it is offered to him. Meanwhile, there was some talk of running Ambassador Dawes for Vice President and rumors that he might even be chosen as the Republican candidate for President—rumors which Mr. Dawes immediately denied. Among the Democrats three candidates for the nomination appear prominently—Governor Roosevelt of New York who, rumor has it, is not favored by the party's leaders; Governor Albert C. Ritchie of Maryland and Newton D. Baker, Secretary of War in the Wilson Administration.

THE BUSINESS OUTLOOK

The general economic condition of the country during November continued in the path of lower indices of business activity and security values, and with a constantly increasing burden of unemployment. In spite of optimistic reports from certain sections of the country at the beginning of November and speeches from public men which asserted that "the United States is at last emerging from its economic depression," general surveys of the nation gave little support to these words of hope. Although business failures in November, according to R. G. Dun & Co., declined from 2,362 in October to 2,195, this was an increase of 8.1 per cent over November, 1930 The value of exports from the United States for October increased $25,000,000 over September, but the total of $205,000,000 for the month was a drop from $326,896,000 for October, 1930. The reports for October business sounded the same monotonous note to which the country is becoming accustomed—lower levels. *The Annalist* index of business activ-

ity declined from 70.6 for September to 67.2 for October; the index for October, 1929, was 105.7. Another unpleasant indication of business conditions was seen in the decline in the amount and number of dividend declarations. Disbursements to stockholders in November, 1930, totaled $483,574,033 for 983 companies; in November, 1931, the total was $377,694,401 for only 853 corporations. Although few figures were available for November business, on Dec. 10 there was no indication that when they should be made public the result would be any more cheerful.

The annual report of the Secretary of Commerce presented a detailed picture of the decline of American economic activity during the fiscal year ended June 30, 1931. Industrial output for the year fell 20 per cent below that of the fiscal year 1929-30; factory employment declined 18 per cent during the year; payrolls fell 25 per cent; exports dropped 34 per cent, and the cost of living reached a level about equal to that of 1923. But however valuable this report of the Secretary of Commerce may be to the future historian, it was already so far behind actual conditions when it was made public on Nov. 29, 1931, that one was forced to seek elsewhere for an understanding of the situation facing the nation.

The condition of the country's banks, as far as the public is let into the secret, improved slightly during November. Bank failures which set a month's record during October, with 512 closings, involving deposits of $566,686,000, declined perceptibly in November. The drain on the gold reserves of the country which reached record proportions during October was halted in November, giving foreigners, at least, new and absolute confidence in the soundness of the dollar and the American banking system. A report on Nov. 16 by J. W. Pole, Controller of the Currency, announced a decrease of $2,632,619,000 in the resources of national banks for the year ended Sept. 29. A survey of the American Bankers' Association published on Nov. 15 showed a decline in the nation's savings deposits of $270,085,000 for the year ended June 30, 1931. The $67,000,000 increase in deposits in the Postal Savings System during October was explained by postoffice officials as the result of bank failures which left many communities without adequate depositories for savings.

PLIGHT OF THE RAILROADS

A discouraging feature of present conditions is the steady decline in the value of securities, both stocks and bonds. Weakness has been most pronounced in railroad offerings, formerly the gilt-edge items in most portfolios. This decline, of course, is a reflection of the precarious conditions in which the roads find themselves as they enter upon the third year of hard times. The net operating income of 171 Class I railroads for the first ten months of 1931 was $472,306,000, a drop of 38.9 per cent from the same period in 1930 and an indication that the total for the year would be the lowest in more than a decade. On Dec. 1 the Wabash Railroad, with 2,237 miles of track, was placed in the hands of receivers.

Meanwhile the roads were struggling with their problems. The decision of the Interstate Commerce Commission on the plan for consolidating the Eastern roads which was proposed on Oct. 3 (see December CURRENT HISTORY, pages 433-434) was still awaited. The plan offered by the commission for an increase in railroad rates upon certain commodities and for a pooling of the revenue from these increases to aid the weaker roads met generally with opposition from railroad executives. On Nov. 19 the roads in a petition to the commission proposed certain modifications which would substitute "loans" for "gratuities" to the weaker lines. The petition included proposals for certain rate changes and classifications and

for a Railroad Credit Corporation which would collect the contributions from the roads and distribute advances to roads which need them. The plan provided that loans should not be made to roads already in default. Loans would be repaid to the Credit Corporation before the carriers receiving them should declare dividends to their stockholders except where dividends were a fixed charge whose nonpayment would mean default.

The reply of the commission on Dec. 7 sanctioned this proposal of the railway executives. The fund to be administered by the corporation, it was estimated, would be between $100,000,000 and $125,000,000—the result of the specific rate increases suggested by the Interstate Commerce Commission on Oct. 20 in its reply to the railroads' plea for higher rates. By the commission's decision of Dec. 7 the railroads are "free to apply in the premises their own loaning plan." As the sanction was given without any condition or restriction, the roads may benefit individually from the increased rates even if enough carriers do not assent to the credit corporation idea. In other words, the commission seems to have abandoned its former recommendation that the roads pool the revenues from increased rates and distribute them among the carriers which are incapable of earning their fixed charges.

During November the movement for a 10 per cent cut in railway wages was under way as one means of reducing the expenses of railroad operation. On Nov. 19 a national conference of railway presidents and union heads was opened in New York City to discuss employment, wages, operating rules and so forth. After four days of discussion and debate the Railway Labor Executives' Association rejected the proposal for a voluntary 10 per cent reduction in railroad wages. As a result the railway presidents on Nov. 25 issued what amounted to an ultimatum, declaring in the words of F. W. Leamy, vice president of the Delaware & Hudson, that "if the attitude of labor toward a voluntary reduction is negative, the presidents have no alternative but to undertake a reduction in wages under the procedure provided by the labor provisions of the transportation act." On Dec. 7, the general chairmen of the railway labor unions, representing 700,000 railway workers, met in Chicago to consider the proposal of the railway presidents for wage cuts. Many leaders attended the meeting with hostile sentiments toward any attempt to reduce wages for the purpose of providing money to pay dividends.

THE UNEMPLOYMENT BURDEN

The problem of unemployment and of unemployment relief continued through November to occupy the nation's attention. On Nov. 17 the monthly survey of the American Federation of Labor estimated the number of unemployed at 6,200,000 and, a week later, President William Green, declaring that unemployment had reached a new peak, predicted that 7,500,000 people would be out of work by January. One encouraging sign was that unemployment for November increased no more than is usual at that season, even during prosperous years. For a specific decline in labor force one may take the railroads, which on Sept. 15 employed 1,254,280 persons—15.59 per cent less than in 1930 and 28.24 per cent less than in 1929.

Proposals for remedying such an appalling situation have been numerous—a shorter working-week, unemployment insurance and construction of public works. But for the moment the widely advertised specific has been relief funds raised from governmental appropriations and from private sources. The drive for funds by the National Association of Community Chests and Councils which ended on Thanksgiving Day raised vast sums; 131 cities reporting at that time had raised a total of $45,694,387. The

total for the country was still unknown, but in any case will be only a slight proportion of the entire amount needed. A report of the Russell Sage Foundation quoted by Governor Pinchot of Pennsylvania on Nov. 30 showed that during September private charity provided for only 23 per cent of unemployment relief. Even the funds expended on public works by the Federal Government as its part in unemployment relief is not as great as is often supposed. On Nov. 10, it was shown that the total of $1,559,123,000 to be spent by the government for relief between Jan. 1, 1930 and June 30, 1932 is only $122,000,000 above the figure for normal expenditures.

Other measures for combating unemployment ranged from an experiment in communal living reported in Oklahoma to the spectacular "hunger march" to Washington staged by the Communists. For nearly a fortnight before the convening of Congress, press reports from the Eastern and Middle Western cities told of the plans for an unemployed "march"—actually they traveled in motor trucks. On Dec. 7 about 1,600 of the marchers paraded in the capital city and attempted unsuccessfully to present petitions to Congress and to President Hoover for Federal guarantees of employment and for national unemployment insurance.

TRAGEDY OF THE COAL FIELDS

During November labor troubles in the Kentucky and West Virginia coalfields again were in the limelight. The situation in the Harlan coal fields of Kentucky received much attention because of the visit of the novelist, Theodore Dreiser, and his committee of investigators, and because of the trial of several miners at Mount Sterling, Ky., for the murder of a deputy sheriff last April. Dreiser arrived at Harlan, Ky., early in November and immediately began to hear testimony in regard to conditions in the district. The results of his three-day stay in the Harlan area were varied. Dreiser was indicted by a Bell County (Ky.) grand jury for misconduct with a woman at a hotel while investigating conditions among the miners; he was indicted for violation of Kentucky's criminal syndicalism law by the Bell County court; he himself, while denying both these charges, proclaimed to all who would listen that in the Harlan fields children were dying of starvation and miners were killing and being killed. To the impartial observer it was obvious that conditions in the coal areas were a tragic commentary on American life, while any familiarity with American labor history suggested that the charges against Dreiser might well be only a convenient smoke screen.

The trial of the Harlan miners for murder arose from the disorders in the mines of Southeastern Kentucky in the Spring of 1931. William Burnett, the miner accused of the murder of Deputy Sheriff Jesse Pace on April 17, 1931, admitted that he shot at Pace, but in self-defense, after Pace had opened fire upon him. On Nov. 21 Burnett was acquitted. The next day another trial opened to hear the indictments against ten miners for the deaths of four men in a fight between deputy sheriffs and miners on May 5. The trial was filled with testimony that exposed the misery and brutality of conditions in the mine area. W. B. Jones, Harlan mine union secretary, who was charged with murder and conspiracy in connection with the labor fight on May 5, was, on Dec. 10, convicted and sentenced to life imprisonment.

The West Virginia coal fields present no less a tragic story than those across the border in Kentucky. Ruinous competition in the bituminous coal fields of the United States has placed the entire industry in a precarious economic condition (see article by S. A. Hale in September CURRENT HISTORY). One result has been the reduction of miners' wages below the minimum of subsistence. Wages are better in some fields than in others,

but in many mining camps of West Virginia the miners' standard of living is comparable to that of 1893. Strikes to raise wage rates have proved fruitful only in causing bloodshed, starvation and continued misery.

The one ray of hope in the bituminous coal industry was the agreement of the operators on Dec. 4 to further a stabilization plan. The plan proposed the merger of some coal properties and the formation of certain regional sales agencies which will sell soft coal at a uniform price and thus eliminate cutthroat competition. But the plan still has to be adopted by operators in the soft-coal districts throughout the country.

STABILIZING METAL INDUSTRIES

Bituminous coal, however, is not the only extractive industry which has been forced to take stock of itself because of the depression. After several weeks of informal conferences in New York between the copper producers of the world—weeks in which hopes for an agreement curtailing output were often despaired of and during which the price of copper reached its lowest level in the history of the American market—limitation of production seemed a likelihood by early December. The leading producers appeared to be willing to support an arrangement which would curtail the output of their mines to about 26 per cent of capacity. Meanwhile, Western Senators planned to urge a tariff on copper during the present session of Congress.

Silver, no less than copper, has felt the pinch of hard times and of changing ways. For some time there has been talk of an international agreement for selling silver which would raise the price per ounce to a point at which mining can be profitable. On Dec. 4 a resolution was adopted at a conference of members of the American Mining Congress in favor of curbing the production of silver. Meanwhile, an export sales agreement has been drawn up between American producers and the Indian Government which it is hoped, upon ratification, will raise the price of the white metal. Senator Pittman of Nevada is an advocate of an international agreement which will prevent the disposal of silver coins as bullion, thus disrupting the regular supply in the silver market.

AGRICULTURE AND THE FARM BOARD

The outstanding episode in the agricultural world during November was the attack upon the Federal Farm Board and its policies which was opened by James M. Beck, Representative from Pennsylvania, on Nov. 10. Mr. Beck's characterization of the board as "bureaucracy in its most indefensible form" was assailed the next day by James C. Stone, chairman of the Farm Board. Two weeks later the transactions of the board were revealed to the Senate Committee on Agriculture. It was disclosed that up to June 30, 1931, the board had purchased $270,204,303 worth of wheat at an average price of 81.97 cents a bushel; on June 30, it owned 257,136,571 bushels. The board through the Cotton Stabilization Corporation still owned on June 30, 1,310,789 bales of cotton, bought at an average price of $81.48 a bale. It was estimated on Nov. 24 that the board's losses on the basis of present cash prices might be as high as $177,000,000. As the Senate inquiry of the Farm Board continued, considerable criticism developed from the disclosure of the salaries paid by the board to the officials of its various marketing organizations.

The hopes of improved conditions in agricultural areas which were aroused in late October by sudden increases in the price of wheat were shortlived. The advance in wheat prices failed to continue; prices even fell somewhat. Meanwhile, droughts in the Winter wheat belt of the Middle West were damaging crop prospects; rains in the Southwest in mid-Novem-

ber aided that section, although causing a decline in grain prices which had been bullish when the droughts seemed to promise poor crops in that region. Low prices broke up tobacco auctions in Kentucky early in December. In the South the movement for a 50 per cent cotton acreage cut continued.

THE NAVAL PROBLEM

The quarrel between President Hoover and the Navy League which has been in progress for six weeks or more (see December CURRENT HISTORY, pages 428-429) seemed likely to be aired in the halls of Congress when on Dec. 7 the league called upon Congress to investigate President Hoover's "entire conduct of our naval affairs." The Navy League in repeating its attack upon the committee which on Nov. 7 exonerated the President of "abysmal ignorance" of the true nature of navies declared that the Hoover investigation was "a highly organized effort to discredit the Navy League, seemingly because we told unpalatable truths."

Meanwhile, although the navy budget for 1933 had been cut to $343,000,000—$59,000,000 less than originally planned—Secretary Adams in his annual report asserted that appropriations for the navy are inadequate for proper maintenance of the service. While the Navy Department, as a result of President Hoover's economy program, had decommissioned or placed in reserve seventeen vessels, the "big navy" groups in the Senate and House were drafting plans to expend approximately $1,000,000,000 for new naval craft.

THE PHILIPPINE PROBLEM

Agitation for Philippine independence—if one can judge from reports in the American press—was less noisy during November. The Filipino Legislature on Nov. 9 approved Senator Manuel Quezon's plan for a ten-year period of autonomy with free trade, and at the end of that time a plebiscite to determine future policy. His stand has been assailed by the Filipino radicals who advocate immediate and complete independence. On Dec. 5 a new Filipino independence mission sailed for the United States. Presumably its discussions with administration and Congressional leaders in America will be based upon Senator Quezon's proposals.

The islands, like the rest of the world, are struggling with economic problems, but at the same time are attempting to organize their economic life in such a way as to make the Philippines somewhat independent of the rest of the world if political independence ever becomes a reality.

Governor General Davis received almost an ovation when he left the Philippines on Nov. 21 for a vacation in Europe and the United States. For the moment politics seemed to be forgotten and events connected with the farewell indicated that Mr. Davis was the most popular American official to have served in the islands.

THE MOONEY CASE

The famous Tom Mooney case which has disturbed California for fifteen years and has provided radicals with material for innumerable soapbox orations apparently entered upon a new phase during November. The past year has seen indications that this *cause célèbre* was at last a subject fit for discussion by even the most conservative-minded. The interest of the public in the case became apparent when on Dec. 1 Mayor Walker of New York City, as a result of an appeal from Mooney's mother, appeared before Governor Rolph of California to plead for a full pardon for Tom Mooney. Governor Rolph promised to review the case of Mooney and to reconsider the entire question of a pardon for the man who has spent years in prison after being convicted of throwing a bomb which cost ten lives during a preparedness parade in San Francisco in 1916.

Attempts at Terrorism in Cuba

By CHARLES W. HACKETT
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RENEWED bombings in Cuba occurred late in October and early in November as part of the program of opposition to the Machado Government. In spite of these episodes of terrorism comparative stability characterized the Cuban political situation during November.

The government, as usual, took active steps to curb the activities of the opposition. The headquarters of the Hebrew Cultural Association were closed on Nov. 5, on charges of participation in anti-government and communistic activities. Two days later twenty persons were arrested and a public demonstration which the Communists had planned to hold was frustrated. Soon afterward the government discovered an organization of professional men and merchants in Havana which aimed to embarrass the treasury by delaying the payment of taxes. As a result of the seizure of a shipment of contraband arms and ammunition near Havana harbor on Nov. 18 orders were issued to the Cuban Army and Navy to redouble their vigilance along the neighboring coast.

Clemency is being shown by the government toward political prisoners. Four members of the House of Representatives who have been confined in Cabañas Fortress since their participation in the abortive Menocal revolution of August, 1931, were liberated on Nov. 3. Two days later Dr. Ricardo Dolz, dean of the School of Law of Havana University, and former President of the Senate, also was released. Prisoners held for participation in the August rebellion have been liberated gradually upon pledges to refrain from carrying on further activities against the government of the republic.

EFFECT OF AMERICAN TARIFF

Cuban political leaders have complained frequently of tariff discrimination against Cuba by the United States. President Machado on Oct. 28 declared that 80 per cent of Cuba's economic ills were the result of the American tariff. Politicians and newspapers took up the cry. *El Mercurio* of Havana stated editorially on Nov. 1 that Cuba had received nothing but injustice from the United States in the last four years and that there was no reason for Cuba to stand by the reciprocity treaty; *La Información* of Havana on the same day criticized Cuban financiers for contracting a huge public works loan on short terms, but attached principal blame to the Chase National Bank of New York and to the American Department of State for its lack of foresight in approving the loan. A reaction against these criticisms soon appeared. Senator Cuellar del Rio, president of the Popular party, said on Nov. 2: "Cubans themselves are the only ones responsible for the present conditions in Cuba." Two days later President Machado reversed himself in his criticism of the United States tariff in a statement issued through *El Heraldo de Cuba.*

THE CHADBOURNE PLAN

Organized opposition to any restriction under the so-called Chadbourne Plan of Cuba's 1931-1932

sugar crop was launched at Santa Clara on Nov. 26 under the leadership of the National Association of Cane Planters. A unanimous decision was reached by the 1,500 planters present to work for the cancellation of all international sugar agreements to which Cuba is a party; the planters were reported to be backed by representatives of many branches of Cuban industry, commerce and labor. The Chadbourne Plan, named after its author, Thomas L. Chadbourne, a New York lawyer, began as a Cuban measure and finally was made a world agreement when great sugar-producing nations signed an agreement at Paris in the Summer of 1931 to limit the production of sugar in order to maintain world prices.

ANNIVERSARY OF THE MEXICAN REVOLUTION

The twenty-first anniversary of Mexico's great revolution of 1910 was celebrated on Nov. 20. A distinctive feature of the celebration in Mexico City was the parade before President Ortiz Rubio of 1,000 picked athletes from every State in the republic. In contrast to the military parades of former years the only uniforms seen were those worn by army bands.

In a nation-wide radio broadcast from Washington, Mexican Ambassador Puig Casauranc declared that social reforms brought about in Mexico since the initiation of the revolution twenty-one years ago had laid the foundation for political reforms. "We all understand our political deficiencies," he said, "and have promised to remedy them, now that we have attained the acceptance of the social reform so anxiously desired by us."

DAMAGES FOR DEATH OF MEXICAN STUDENTS

On Nov. 23 two former Oklahoma deputy sheriffs were acquitted of charges of murder in the killing of two Mexican students at Ardmore, Okla., in June, 1931. The next day the Mexican Foreign Minister, Genaro Estrada, announced that new instructions had been sent to the Mexican Embassy in Washington "with the intention of claiming damages of a civil nature because of the * * * crimes." Governor W. H. Murray of Oklahoma is reported to have told the newspaper *El Excelsior* in a long-distance telephone conversation, that he would ask the Oklahoma Legislature for permission to send $5,000 to the parents of each of the two Mexican youths who were killed. Later, Governor Murray approved as "more practical" a proposal by President Bizzell of the University of Oklahoma that the State of Oklahoma endow two scholarships for Mexican boys, one at the University of Oklahoma and the other at the Oklahoma Agricultural and Mechanical College; the scholarships, it was suggested, should be named in memory of the two slain boys, Emilio Cortés Rubio and Manuel García Gómez. This suggestion met with the disfavor of the students' federation in Mexico City on Dec. 4.

The Department of State in Washington on Nov. 25 admitted that the Mexican Embassy had presented to it a note in which was submitted a "series of comments and criticisms concerning the killings," and the "subsequent prosecution of those guilty of the slayings."

RISE OF VALUE OF SILVER

The rise in the price of bar silver from 24 cents per troy ounce, the law of several months ago, to 31¼ cents early in November contributed to the decline of the dollar to the lowest point since the beginning of Mexico's industrial and economic crisis. United States notes brought 2.55 pesos in the Mexico City market on Nov. 5, compared with 3.60 and even near 4.00 for a few days late in July. The advance of silver to more than 34 cents before mid-November aroused hopes of thousands of unemployed that closed mines would be reopened.

During normal years in the past Mexico produced as much as $100,000,000 worth of silver.

NEW GOVERNOR OF CHIHUAHUA

Following a long and bitter political feud between Governor Andrés Ortiz and ex-Governor Luis León, both of the State of Chihuahua, Governor Ortiz tendered his resignation to the Chihuahua Legislature on Oct. 31. The resignation was accepted and on Nov. 2 Colonel Roberto Fierro, the young and popular chief of civil aviation in Mexico, was notified of his appointment as Governor of the State. The same day he flew from Mexico City to Chihuahua, where he was accorded an enthusiastic public reception.

REBEL ACTIVITY IN NICARAGUA

Rebel activity was pronounced in Nicaragua during November. On Nov. 2 an insurgent leader was killed and several of his band wounded in an engagement with a patrol of the Nicaraguan National Guard, commanded by Lieutenant Chauncey Brown of the United States Marines. The capture of the town of Chichigalpa, on the railroad between Chinandega and León, by insurgents was reported officially on Nov. 23. Stores were looted, the telegraph office wrecked, and railroad records were burned before the insurgents were driven out by a patrol of the National Guard. Because of the activities of the insurgents a state of siege was declared in the Departments of León and Chinandega on Nov. 25.

REVOLUTION IN EL SALVADOR

In a one-day revolution, featured by sharp fighting in the capital, in which former Minister of the Treasury Francisco Espinosa was killed by a stray bullet, the government of the Republic of El Salvador was overthrown on Dec. 3. President Arturo Araujo fled into Guatemala. The military junta which was established declared that the entire country had accepted the change jubilantly. An offer of funds from the Bank of Agriculture and Commerce was accepted by the new governing junta on Dec. 6.

PANAMAN POLITICS

The Liberal Reform Party of Panamá closed a three-day convention in Panamá City on Nov. 22 after nominating Francisco Arias Paredes, former Minister of Government and Justice in the Cabinet of President Alfaro, for President in the contest that will be held in June, 1932. The resignation of Dr. Harmodio Arias, Panaman Minister to the United States, was submitted to President Alfaro on Nov. 27. Dr. Augusto Boyd was nominated for President by the National Liberal party on Oct. 17.

CENTRAL AMERICAN MONETARY PROBLEMS

Action designed to solve grave monetary problems was taken by Nicaragua and Honduras in November. At a conference of bankers, merchants and industrialists, held under government auspices in Tegucigalpa, Honduras, on Nov. 10, immediate monetary conversion from the silver to the gold standard, with a new gold-backed "lempira" (valued at 50 cents) as the unit, was decided upon. To redeem the present silver currency new coins to the number of 1,100,000, which have been minted in the United States, are to be brought to Tegucigalpa promptly. To redeem the balance at present in circulation, the conference agreed to issue $1,000,000 in 7 per cent government bonds, which are to be bought by local merchants and bankers.

To protect the Nicaraguan córdoba (valued at one American dollar), a Presidential decree on Nov. 14 placed the control of foreign exchange in the hands of the National Bank of Nicaragua, and the exportation of gold was prohibited except through the National Bank. A Board of Control, consisting of the Minister of Finance, the manager of the National

Bank and the Collector General of Customs, was appointed.

HAITI DISSOLVES ANTI-AMERICAN SOCIETY

Charged with having entered into politics in violation of the law concerning organizations, the *Union Patriotique*, which was organized in 1915 to work against the military occupation of Haiti by the United States, was dissolved by the Haitian Government on Nov. 23. Late in October the *Union Patriotique* was reported to have taken the stand that the recent Munro-Leger agreement, by which three of the five treaty departments were restored to full Haitian control, did not completely fulfill the desires of the people. About nine years ago the *Union Patriotique*, through three of its leaders, including Dr. Stenio Vincent, the present Haitian President, was instrumental in bringing about the McCormick Senatorial investigation of Haitian affairs. Also it was chiefly instrumental in the Forbes Investigating Commission being sent to Haiti by President Hoover in February, 1930. One of its present members is Speaker of the lower house of the National Assembly.

EMERGENCY LEGISLATION IN DOMINICAN REPUBLIC

The acquiescence of the United States Government in recent emergency legislation of the Dominican Republic, "giving priority to the interest charges on the foreign loans but temporarily diverting certain customs revenues from the payment of amortization on these loans, applying the amounts so diverted to the maintenance of vital governmental functions and the preservation of law and order upon which the ultimate payment of the external debts must depend," was announced by the Department of State on Nov. 10. This action was made necessary by bad economic conditions, aggravated by the disastrous hurricane of September, 1930.

South America Regaining Stability

By HENRY GRATTAN DOYLE

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THE chronicler of events in South America during the year just ended finds much to bear out the hope expressed twelve months ago that 1931 might be a year of political reconstruction for the South American republics, in contrast with the preceding year, which was preeminently one of revolutionary activity and political destruction. Even the renewed revolutionary outbreaks during the year, almost equaling in significance those occurring in 1930, lose much of their importance when considered in the light of the progress made during the last months of 1931 toward the re-establishment of constitutional government. Among the noteworthy aspects of this progress were the recourse in several instances to popular elections, seemingly fairly conducted, for the choice of Chief Executives; the replacement of administrations primarily military in character by civilian governments; and the fall of one of the two dictators—President Ibáñez of Chile—who seemed most securely in the saddle at the close of 1930.

In economic matters, unfortunately, the picture is not so encouraging. The end of the year finds a number of

governments in great financial straits. Interest payments on bond issues in many cases have been defaulted or postponed under one plan or another. Currencies have depreciated. Foreign and domestic trade has fallen to a mere fraction of its former volume. Unemployment has increased. Economic life has stagnated. The distress of 1930 has become privation in 1931. Against such a gloomy background the remarkable thing is not the fact that there has been so much political unrest, but the fact that there has not been more. That any real progress toward constitutional government has been possible under prevailing economic conditions is in itself a cause for rejoicing.

As against the record of 1930, with its four successful revolutions—Bolivia in May, Peru in August, Argentina in September and Brazil in October—the chronicle of 1931 must record another four—Peru in March, Chile in July, Ecuador in August and Paraguay in October. But that is not the whole story. In three of these countries—Chile, Peru, and Eucador—elected chief magistrates have already succeeded revolutionary governments; in another—Paraguay—the Vice President has constitutionally taken the place of the resigning P esident; and the military government of Argentina in November finally permitted elections to be held for the choice of a constitutional President. Even this is not all. As against the outstanding non-revolutionary political event of 1930—the election of Dr. Olaya Herrera as President of Colombia—1931 has to its credit not only the elections already mentioned but the peacefully conducted and accepted election in Uruguay which resulted in the inauguration of Dr. Gabriel Terra as President of that country in March. Not to be overlooked also is the inauguration during the same month of Dr. Daniel Salamanca as President of Bolivia.

It is true that the close of the year finds Brazil still under the control of the revolutionary government of President Vargas, which took office as long ago as Oct. 24, 1930; and that while elections held on Nov. 8 in Argentina resulted in the election of General Agustín Justo, the Provisional Government at the time of writing had given no indication as to the date on which it intends to turn over the conduct of affairs to its elected successor. It is also true that during the year the one remaining "strong man" of South America—General Gómez of Venezuela—has resumed the active direction of affairs in that country after a relatively brief experiment with an elected successor—an interlude, so to speak, in the twenty-year reign of the Venezuelan dictator. These instances are not, however, of sufficient importance to outweigh the positive democratic and constitutional advances made in the other countries mentioned.

PRESIDENT MONTERO INAUGURATED IN CHILE

On Nov. 15 Dr. Juan Esteban Montero Rodriguez reassumed the Acting Presidency of Chile, which he had relinquished on Aug. 18 in order to become a candidate for President at the elections of Oct. 4, in which he obtained a large majority of the votes. On Dec. 4 President Montero took the oath of office as constitutional President, formally beginning a six-year term of office. His program includes resumption as soon as possible of payments on Chile's foreign debt, continuance of the policy of strict economy in governmental expenditures, maintenance of the gold standard, and careful study of the problems of the nitrate industry, upon which Chile's prosperity so largely depends. Feeling over the formation of "Cosach," the nitrate combination engineered under the Ibáñez régime, in which the Chilean Government has a 50 per cent interest, was intensified by a report from a commission of technical advisers appointed after the revolution of last July. The report, issued on Nov. 10, attacked some of the circumstances attending the for-

mation of the company, criticized the organization expenses involved, and called the establishment of "Cosach" "the biggest crime of the military dictatorship of former President Ibáñez." In quarters favorable to "Cosach" the report was characterized as politically inspired. Its recommendation for the dissolution of "Cosach" was modified, according to news dispatches, in a new report presented to President Montero on Dec. 7, the contents of which were not made public.

PERU INAUGURATES SANCHEZ CERRO

On Dec. 8 Peru took her place among the republics with constitutionally elected Presidents when Luis M. Sánchez Cerro was inaugurated for a five-year term. Colonel Sánchez Cerro led the military revolt of August, 1930, which ousted former President Leguía and ended the latter's eleven-year dictatorship. The Provisional Presidency of Sánchez Cerro was itself terminated by a successful revolt which placed a junta headed by David Samánez Ocampo in power on March 1, 1931. For some months Sánchez Cerro lived in exile, and it is very much to the credit of the Provisional Government that it not only ultimately permitted him to return to Peru, but although generally believed to be opposed to his candidacy in the elections of Oct. 11, dealt fairly and justly with him and apparently conducted the election in an honest and non-partisan manner.

Opposition to the inauguration of President Sánchez Cerro led to serious disorders, said to be inspired by members of the "Apra" (Associación Popular Revolucionaria Americana), whose candidate for the Presidency, Raul Haya de la Torre, was defeated in the election. In a strike at Trujillo, in Northern Peru, "Apra" sympathizers clashed with the police on Dec. 7, and ten persons were reported killed and a number wounded. The cruiser Almirante Grau was sent to Northern Peru as a precautionary measure.

The new President took office with a Congress composed of 71 "Sánchez Cerristas," 51 "Apristas," 12 "Decentralists," and 11 independents. It is reported, however, that he can count on a majority of seventy-seven members, the additional votes coming from Decentralists and independents who have promised to support him. The new Congress will also act as a constituent assembly.

Under a decree of the Provisional Government issued on Nov. 20, amnesty was granted all prisoners arrested since Aug. 22, 1930, except those accused of enriching themselves at the expense of the State under the Leguía régime. On Nov. 16 former President Augusto B. Leguía was removed from Panópico Prison at Lima to a naval hospital at Bellavista, midway between Lima and El Gallao, on the advice of a medical board. The ex-President was reported to be suffering from bronchial pneumonia. His son Juan, who had shared his father's imprisonment for fifteen months, remained in prison. Some disorder attended the transfer, caused by fears of opponents of the fallen régime that followers of Leguía might attempt his liberation from the hospital.

GENERAL JUSTO WINS IN ARGENTINA

Results of the elections of Nov. 8 in Argentina had not been officially announced at the time of writing, owing to the necessity of holding a second election in certain provinces because of alleged "irregularities." A long process of "verification" of the voting urns and counting of the ballots, essential under the Argentine system, may long delay the official results. There can be no doubt, however, that General Justo, candidate of the National Democrats and anti-Irigoyen Radicals, will be victorious over his opponent, Dr. Lisandro de la Torre, nominated by the Democratic-Socialist Alliance. Press reports on Nov. 26 gave Justo 234 votes in the electoral college as compared with 134 for de la Torre.

The Provisional Government of General Uriburu has not vouchsafed an announcement of the date when the new government will assume the conduct of Argentina's affairs. An earlier impression that this would take place only after the adoption of certain constitutional reforms advocated by the Provisional President (see CURRENT HISTORY for August, 1931) is reinforced by the delay in making this announcement. The President is understood to hold that these reforms are part of the program of the revolution which placed him in office, but members of the revolutionary group are reported from Buenos Aires as declaring the reforms purely the work of the President, and not formulated until after his assumption of the Presidency.

On Nov. 24 it was reported that Uruguay had agreed to extradite Horacio Oyhanarte, Foreign Minister under Irigoyen, on the basis of charges which induced Uruguay to hold that he was not a mere political refugee, but a fugitive from justice.

The steady gains in Argentine grains reported recently came to an abrupt end in late November, when prices dropped to their former low level.

CHACO NEGOTIATIONS RESUMED

Under the auspices of the five neutral nations—Colombia, Cuba, Mexico, Uruguay and the United States—which sponsored the deliberations of the Commission of Inquiry and Conciliation, Bolivia and Paraguay resumed negotiations for a non-aggression pact in Washington on Nov. 11. The territorial dispute over the Gran Chaco constitutes the major problem in international relations now confronting South America. At the opening meeting only one delegate was present from each country, Eduardo Diez de Medina, former Minister of Bolivia to the United States, and Juan José Soler, Paraguayan Minister of Mexico. The other delegates, César A. Vasconcellos, for Paraguay, and Enrique Finot, for Bolivia, arrived later in the month, the former having been delayed by the change in the government of his country which for a time threatened to prevent his attendance. At the time of writing negotiations were already under way under the chairmanship of Francis White, Assistant Secretary of State of the United States.

SOUTH AMERICAN BONDS DEFAULTED

Formation of a Latin-American Bondholders Association in New York, with former Secretary of the Treasury McAdoo as chairman, emphasizes the precarious condition of some of the foreign loan issues of South American governments, a number of which have been defaulted during the year 1931, as to payment either of interest or of sinking fund requirements, or both. In some instances the governments, as a stabilization measure, are depositing funds to cover the payments in national banks, where they will be held against ultimate payment of requirements. In other instances complete default has occurred. State and municipal issues are involved in a number of instances in which national bonds have not been defaulted. It was likely that a number of issues previously in good standing would be defaulted on payments due Jan. 1, 1932.

Defaults that have already occurred or have been announced include Bolivian issues amounting to approximately $60,000,000; Brazilian, $149,000,000 (exclusive of State and municipal isues); Chilean, $117,000,000; Eucadorean, $11,000,000; and Peruvian, $88,000,000. The outlook for adjustment of these and other financial difficulties is not encouraging as the new year begins, but justice requires that it be borne in mind that this unfortunate situation does not prevail exclusively in South America.

Great Britain Abandons Free Trade

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THE first notable act of the new government under Prime Minister MacDonald has been nothing less than the abandonment of Great Britain's historic policy of free trade. As a result of the general election, there were, of course, important questions other than that of a protective tariff to confront the Cabinet and to test the solidarity of the National Government and its huge majority in Parliament. Obviously such projects as Snowden's land tax and Labor's coal mines amalgamation scheme had to be dropped. Future British relations with India presented a much more serious problem to Mr. MacDonald when his Parliamentary backing included a large number of reactionaries who would oppose the loosening of British control. The passing of the Statute of Westminster, which after long collaboration among Great Britain and the Dominions was drawn up legally to recognize the constitutional independence of the dominions, was a necessary preliminary to the Imperial Economic Conference to be held at Ottawa in July, 1932. Yet the same reactionaries could be counted upon to oppose it in the name of the English minority in the Irish Free State and because of its possible future effects upon a Dominion of India.

In these circumstances the only profitable procedure was to yield to the unmistakably general pressure for tariff protection and trust that, while thus undertaking to balance British trade, other problems could be disposed of in minor skirmishes. Philip Snowden had to leave his free-trade pietism behind him when, as Lord Privy Seal, he entered the House of Lords on Nov. 25 as Viscount Snowden of Ickornshaw. Sir Herbert Samuel, leader since Nov. 4 of the free-trade Liberal group among the Nationalists, was evidently greatly distressed by his position and, although a member of the Cabinet, actually refrained from voting on Nov. 20 during an important division on tariffs. Walter Runciman, a former Liberal free-trader, now president of the Board of Trade, seemed completely converted to militant protectionism, since he—instead of Neville Chamberlain, the Conservative Chancellor of the Exchequer—sponsored the new tariff legislation. The Prime Minister did not escape responsibility for tariffs by devoting most of his attention to the Indian Round-Table Conference. Thus former Liberal and Labor members paid the price of their present power by the formal recantation involved in carrying out the will of the Conservative majority.

Two external circumstances greatly facilitated the tariff policy and strengthened the government against repercussions from abroad. In the first place, foreigners rightly estimated that the Conservative electoral triumph meant the end of free trade and began to export goods feverishly to Great Britain to anticipate the levying of duties. In some categories of goods the British import rate went up over 100 per cent and the general increase in early November was about 75 per cent. The Thames was crowded with ships from the Continent, a race against time began across the Atlantic, and in the

last hours airplanes were pressed into service to rush in goods.

In the second place, France committed a grave tactical error by setting up a wholesale customs surtax of 15 per cent on imports from Great Britain. Canada had already done virtually the same thing for the same reason, disparity of exchange, but Canada and Great Britain will bargain at Ottawa next July. In this way France, now disturbed over her budget deficit and adverse balance of trade, robbed herself of the chance of receiving consideration for her grievances under the expected British tariff legislation by herself firing the first salvo of the tariff war.

Three sections of the tariff wall were raised during November. The first act, affecting some 1,500 items of manufactured and chiefly manufactured articles, imports of which had normally amounted to about $220,000,000 per annum, was announced on Nov. 16, rushed through Parliament, and put into operation on Nov. 25. It authorized the Board of Trade to set up duties of as much as 100 per cent on the cost of these goods landed in Great Britain, though the rate was actually fixed at 50 per cent. Germany, France and the United States, in the order named, were the hardest hit, and Belgium was seriously affected. On Nov. 30 eleven new categories of manufactured articles were proposed for inclusion under the tariff and on the same day fresh fruit, vegetables, flowers and bulbs were added to the list.

Two interesting developments showed that this legislation had been carefully prepared. It was announced on Nov. 17 that the new duties would not apply to Dominion products. Thus a protectionist Great Britain had begun its career by taking the step a free-trade Great Britain could not, that of providing a tariff which made imperial preferences possible. Industrial Canada stands to profit greatly by this, although it was intimated that the Board of Trade regulations would insist on a 25 per cent empire content in Dominion imports to enjoy the exemption and thus discourage the setting up by Americans in Canada of what would be merely assembly plants. In the second place, it was revealed on Nov. 21 that, whereas the United States had been prepared to increase its levies on British goods to meet the British rates, Great Britain had carefully avoided any action which could bring into play the countervailing provisions of the Smoot-Hawley act. It was also made clear that the British Government would do its best to avoid disturbing goods remittances (chiefly food and raw materials) from foreign debtor countries. All these tariff measures were temporary, pending Neville Chamberlain's budget proposals in April, 1932.

As to United States exports to Great Britain, which are chiefly raw materials, only about 5 per cent appeared to be affected. France, on the other hand, saw her best customer almost repudiate her manufactured goods and virtually shut out the table delicacies which she has long been accustomed to provide. M. Flandin, the French Minister of Finance, visited England ostensibly for shooting over the week-end of Nov. 28, but failed entirely to moderate British action. The French Government on Dec. 2 requested a discussion, but was informed on Dec. 5 that, while Great Britain was quite willing to talk over the situation created by the new tariff, negotiations at present would be premature. Mr. Runciman did not soften the blow by his speech of Dec, 4, in which he referred bitterly to the French surtax. No adequate estimate of the effects on Germany had been made, but both Germany and Belgium asked consideration. The whole situation presented a complete reversal of that in the Spring of 1931 when William Graham, then President of the Board of Trade, unsuccessfully circularized the Continental governments in favor of lower tariffs.

The inevitable accompaniment of protection for manufactured goods was Conservative agitation for similar aid to agriculture, and on Nov. 26 Mr. MacDonald's Cabinet yielded by promising to bring a scheme before Parliament. Under it millers were to be compelled to use 15 per cent of British wheat, with a probable 55 per cent of Dominion wheat and possibly a quota import of 335,000 tons of Dominion flour. In this way the British, Canadian and Australian farmers would be assured of a market (and a price) for their wheat, while Russia, the United States and Argentina would have to scramble for the remaining 30 per cent.

In the debates on the Statute of Westminster and India, Winston Churchill harried his own Conservative leaders, but he could rally only about fifty supporters against sweeping Parliamentary majorities in favor of living up to the promises made to the Dominions and India. One important amendment to the Statute of Westminster was made, however. It assured to the Australian States their separate sovereignty, thus nullifying for the moment at least Mr. Scullin's proposal of Oct. 12 for a referendum on the question of substituting the unitary for the federal principle as the basis of Australian government.

Meanwhile, outside the political arena, conditions showed signs of improvement. The industrial revival which began with the passing of the pound from gold parity continued during November. It was most marked in the textile industries (notably cotton, which profited from the Chinese boycott on Japanese goods), the motor car industry and the light industries generally, but the heavy industries also began to respond to the stimulus. Iron and steel productions were each 14 per cent higher in October than in September, and for the first time since January, 1931, the number of blast furnaces in operation increased. In such circumstances it seemed almost perverse when the Federation of Master Cotton Spinners on Nov. 29 gave notice that the forty-eight-hour-week agreement would be terminated with 1931. The mills have not been able to operate full time since 1920. The operatives threatened a strike, and on Dec. 4 the proposal was dropped.

Naturally, the totals of unemployed have fallen steadily from the record high point of 2,825,772 on Sept. 28. The figure on Nov. 23 was 2,615,115, though the number of wholly unemployed had increased by about 25,000 during the month. The reason for this apparent contradiction was that, while year-round industry increased its payrolls, seasonal employments were ending with the Autumn. Another important cause of the decline in unemployment figures came from the operation of the social insurance anomalies act passed by the emergency National Government. Of 81,716 married women whose cases were reviewed, 71,567 were, up to Nov. 19, struck off the benefits list for various reasons.

The unsupported pound sterling, which ranged between $3.90 and $4.00 just before the election, declined further, to reach the low point of $3.25 (a 33 1-3 per cent decline from par) on Dec. 7. The government has been subjected to the pressure from France for speedy stabilization, but has intimated that sterling will have to find its own level, while the present tasks are the balancing of trade and the stabilization of prices. Certainly prices have risen very little (5¼ per cent in October as compared with September) and on Dec. 2 the Treasury continued to maintain the note issue not backed by gold at its legal maximum of £275,000,000. The Bank of England's gold reserve declined only $1,545,000 between Nov. 5 and Dec. 3, with the coverage ranging from 31.44 per cent on Nov. 5 up to 35.57 per cent on Nov. 19 and down again to 28.44 per cent on Dec. 3. This made all the more extraordinary the revelation on Nov. 18 that the

remainder of the credit granted by our Federal Reserve System on Aug. 1, and renewed on Oct. 31 for three months in the amount of $75,000,000, had been reduced to the use of only $8,500,000. The dollar purchases involved in this transaction must have contributed heavily to the decline in sterling.

It is doubtful whether any reason for the continued decline of the pound less comprehensive than the prevailing international credit contraction would suffice. Secondary to this may be noted the fact that Autumn was the season for extensive British purchases of food and other raw materials, that the abnormal imports before the tariff involved sales of sterling, that certain Continental central banks were compelled by law to use as coverage for their own notes only such currencies as were backed by gold and must now sell their former holdings of sterling, that the narrowness of the exchange market in London made for wide fluctuations, that the movement of British foreign debtors to pay in depreciated sterling had practically ceased, and that British exporters were loath to convert their foreign balances to sterling in a declining market.

France had a quite legitimate grievance in the British Government's refusal to do anything immediate about the pound, but no way of enforcing her representations. The Bank of France, for instance, owned approximately £60,000,000, on which it had lost about $100,000,000. Actually its losses exceeded many times its own declared capital and rendered it legally liable to liquidation. On Dec. 5, therefore, the French Government decided to cover the losses of the bank, but its own treasury was known to be a considerable holder of sterling as well.

On the whole, at the beginning of December the British seemed to have placed France in a disadvantageous position. There was certainly something to be said for the British implication that, if London had rendered international credit vulnerable by borrowing on short terms and lending on long, it was France rather than Great Britain that had pursued a foreign policy calculated to destroy the confidence upon which international credit is based. On the other hand, the huge French official and semi-official holdings of sterling made an effective rejoinder to the charge that France was depressing the pound in order to frighten Great Britain into acquiescing in her policy toward Germany. Those holdings made it reasonably clear that recent French sales of sterling had been made by private parties, perhaps as a device to buy dollars and avoid shipping gold to the United States once the European flight from the dollar had come to an end. There was a definite feeling in London that, while the British Government would be hesitant about further missionary work in favor of international cooperation concerning currencies, debts, reparations, silver and the like, the rest of the world would ultimately see the wisdom of her earlier proposals.

IRISH AFFAIRS

In the Irish Free State the first sitting of the much-feared military tribunal authorized under the public safety act was held during the week of Nov. 30. Its judgments were very mild, the most serious being six months' hard labor and deportation for John Mulgrew, a United States citizen, convicted of membership in Saor Eire and suspected of being on its executive board. The police reported that they had captured orders of the revolutionary organizations to lie low. Civil disorder declined from attacks on postoffices early in November to adroit worrying of the police over public meetings later in the month.

The economic situation was met by an anti-dumping act, an increase in the income tax to 17½ per cent and a tax of four pence (eight cents at

par) on gasoline. The government party, Cuman-Na-Gaedheal, won ten out of twenty-three seats in the Senate, Fianna Fail eight and Labor two, in the first distribution on Dec. 4.

AUSTRALIAN GENERAL ELECTION

Prime Minister Scullin was defeated in the Australian House of Representatives on Nov. 25 by thirty-seven votes to twenty-two and had to consent to the dissolution of the Federal Parliament and a general election, which was fixed for Dec. 19. Half the Senate was also to be re-elected on the same day. The election campaign proved to be something less than a straight fight between Labor and its opponents because the coalition between the United Australian and Country parties had not been completed, but last minute efforts gave J. A. Lyons, leader of the United Australia party, and S. M. Bruce, former Prime Minister, each a clear field against Labor. Party planks were vague and contradictory, and the real issue was the record of Mr. Scullin's Labor Government. Mr. Scullin accused his opponents of "a wish to break down the tariff wall" and secured some support from Australian industrialists.

CANADA'S NEW ORIENTATION

Canada has recently been preparing to meet a new domestic and international position. Her last great change, which launched her in the world as the fifth in rank among the trading nations, took place during the stress of the World War and the post-war reconstruction. Now an international economic war is forcing her to adapt herself to greatly altered circumstances, particularly those created by Great Britain's abandonment of free trade and the opportunity thus presented for economic bargaining with Great Britain and the Dominions. Prime Minister Bennett's response to the recent British election was to suggest the early summoning of the postponed 1931 Imperial Economic Conference at Ottawa. Mr. MacDonald accepted the suggestion on Nov. 9.

Canada's great problem in this matter was to assist in the erection of an equitable system of intra-imperial economic exchanges. Her exclusion from the operation of the new British tariff and inclusion in the proposed wheat and flour quotas was a generous concession which demanded equally generous response. But Canada has become an industrial nation by protecting her native industries against British as well as other competition, and in addition she and the United States have become each other's best customers. Obviously, if imperial economic integration was to become a reality, Canada must readjust her own industrial enterprise and her relations with the United States, and must prepare for honest reciprocity with Great Britain and the other Dominions. To retain her own industrial position and enjoy preferences inside the empire for both manufactured articles and raw materials, she must open compensatory markets for British and other Dominion goods. These changes would presumably have to be at the expense of the United States. British anthracite coal, iron ore and special iron and steel products might supplant American, and Australian, South African and British West Indian tropical products take the place of those from Florida, California and the American West Indies. On a purely economic basis the change would be not altogether rational, but no more so than the Hawley-Smoot and previous tariffs which have seriously interfered with Canadian exports to the United States. Intra-imperial preferences promised to be an extraordinarily complex affair, involving multilateral arrangements and requiring many separate adjustments to existing most-favored-nation treaties.

The continued decline of the Canadian dollar from its former parity in

relation to the United States dollar reached 83.81 cents on Dec. 7. This gave rise to the second great problem of the day. Since the war most of Canada's external obligations have been to the United States, and many of them have been promises to pay in United States currency or gold. As long as Canada rode high on her expanding production and borrowing in New York was cheap and easy, as from 1924 to 1929, the Canadian dollar fluctuated a few decimal points above or below New York parity. Recent international disdain for mere commercial promises to pay and the fall in commodity prices, combined with the renewed competition of the Russian granary and the more intense competition of those regions which, like Canada, took Russia's place after 1914, have subjected the Dominion to a strain which her gold reserve and productive capacity cannot sustain at parity.

Domestic gold production passed $5,000,000 a month, but until trade revived and prices rose that was not enough. The national gold reserve on Oct. 31 was $2,810,000 in excess of legal requirements, but free export was forbidden. The most effective agent in ultimately restoring exchange was the operation of the depreciated Canadian dollar as an added fraction to the high Bennett tariff in reversing the adverse balance of trade. In the case of the still more depreciated pound Canada was protected by valuing the basic pound at $4.40 Canadian and using the difference between that amount and the average exchange value of the pound as an additional dumping duty on British goods. The average value was determined twice a month, for Dec. 1-15 at $4.22, and for Dec. 15-31 at $4.04.

Actually the proportion of exports to imports had been steadily increasing since midsummer. September produced a favorable balance of $3,618,000 and October one of $9,597,000. The total balance of April to October inclusive, which in 1930 had been adverse by $77,000,000, was adverse by only $13,000,000 in 1931. Within these figures the adverse trade relation with the United States was steadily being reduced. It appeared that if Canada refrained from borrowing in New York and let exchange follow its own course she might come through the crisis with a loss of only the amounts she was committed to pay in gold or United States currency.

Yet the government was committed to works for domestic unemployment relief which by Nov. 13, and excluding Quebec and New Brunswick, had involved the expenditure of about $49,000,000. The national railway system was running deeper into debt. The budget deficit in March, 1932, was expected to be over $150,000,000. These circumstances brought about the flotation in late November of a domestic five and ten year loan of $150,000,000 at 5 per cent. The response was remarkable. The public subscribed $215,000,000, the extra $65,000,000 being accepted for the purpose of clearing off short-term indebtedness.

The railway situation, which involved the privately owned Canadian Pacific as well as the publicly owned lines, engaged the attention of a Royal Commission. On the recommendation of the Board of Conciliation set up by the Department of Labor, both railways on Dec. 3 made a wage cut of 10 per cent, retroactive from Nov. 15.

The industrial revival continued to be marked. Lumbering and mining were active, and in late November even the heavy industries showed some improvement. The price of newsprint was cut by $4 to $53 a ton on Dec. 3. Wheat fell about 10 cents to approximately 60 cents for December, but was still 10 cents above the early Autumn figures. The census of 1931 showed a population of 10,353,778, with a continued growth in the West and a relative decline in the Maritime Provinces. This will be reflected

in the loss by Nova Scotia and the gain by British Columbia of two federal seats and a similar exchange between New Brunswick and Alberta of one seat.

Ever since the Winnipeg strike of 1919 it has been known that the Royal Canadian Mounted Police have maintained a secret service section. This was dramatically reiterated in the recent trial in Toronto of nine Communists. The Crown's chief witness was Sergeant John Leopold of the Mounted Police, who had spent seven years in mufti among the Canadian Communists and who secured the membership rolls of the 4,000 to 5,000 members. The party was judged an illegal organization in Canada, seven of the accused received sentences of five and two years concurrently, and one a sentence of two and one years concurrently.

THE INDIAN SITUATION

The failure of the Indian Round-Table Conference (as described in Mr. Ratcliffe's article on pages 544-548 of this magazine) left to the British Government the task of providing a Constitution and then standing the criticism any Constitution was bound to provoke. Lord Sankey's able if sketchy reports on a federal structure, the supreme court, the control of the army and the control of finance were outlines of institutions which could become realities only if general agreement on other matters was reached. The only thing on which the delegates of British India and the Native States were unanimous was that India must have a federal government with autonomous powers both at the Centre and in the Provinces, but that mattered little so long as the vexed questions of minority representation and of British reservation of some control in finance, defense, foreign relations and protection of foreign businesses remained unsettled.

Two events took some of the edge off Indian pessimism. One was the appointment of the Marquess of Lothian as Parliamentary Under-Secretary for India. His well known liberalism and friendliness toward Dominion status for India served to balance the objections to his Conservative chief, Sir Samuel Hoare, the Secretary for India. Secondly, Mr. MacDonald gave Winston Churchill the chance to urge the House of Commons to go back on the British policies as developed since 1917, and on Dec. 3 Churchill was defeated by 369 votes to 43. This debate committed every British political party to conciliation and a generous settlement. On Dec. 1, Mr. MacDonald announced that his government would continue the attempt to reach a settlement, that a skeleton Round Table would continue to function in India, and that three committees would immediately concern themselves with the franchise and electorates problem, with finance and with the financial responsibilities of the Princes in the new federation.

In India itself serious communal conflict took place in Kashmir, a native State, with a population about 90 per cent Moslem. Its Maharajah, Sir Hari Singh, however, is a Hindu and he has recently seriously affronted the sensibilities of his Moslem subjects. Across the frontier in the Punjab, the Ahrar community of Moslems took up the cause of their co-religionists and began to send passive objectors into Kashmir in bands called jathas. They submitted to arrest, but when the numbers rose to hundreds the Maharajah's troops could not handle the situation and the Indian Government was asked to step in. British troops managed to ease the friction, and received an enthusiastic welcome from the Kashmir Moslems. A commission of inquiry was set up and the Maharajah promised to show greater consideration.

As early as the end of October systematic agitation of a fanatical sort was apparent in Bengal and a repressive ordinance was authorized on Oct. 29. The situation became serious

again in November, and on Nov. 30 extraordinary powers were granted to magistrates and special tribunals were authorized, with power to inflict death sentences and transportation for long periods. The Bengal Provincial Congress responded with a commercial and social boycott.

The Round-Table Conference called to consider the constitutional structure for Burma, after being separated from the new India, met in London on Nov. 27. There were twenty-three Burmese delegates and representatives of other Burmese communities. The conference was not likely to be greatly concerned with communal and minority problems, but there were grave differences of opinion as to whether or not Burma ought to be separate from India and as to the measure of autonomy to be granted in either case.

THE GOLD PROBLEM IN SOUTH AFRICA

South Africa has been placed in a difficult and anomalous position by the passing of sterling from the gold standard. She is the world's largest gold producer and yet her banking and her trade have been hitherto largely handled through London. Most of her exports of gold, diamonds and wool go ultimately to Amsterdam and New York. When, therefore, she kept her currency on gold, there followed a serious disruption of trade with which her Dutch and American customers were ill-prepared to cope. Northern and Southern Rhodesia, her gold-producing neighbors, followed sterling, and to producers in South Africa of primary products for export this seemed the easiest way. They did not want to make it more difficult for British buyers to purchase their goods and they did not care greatly over the advantage which British goods enjoyed in South African markets. On Oct. 29, the government set up as a temporary expedient an export subsidy of 10 per cent on all primary exports except gold, diamonds and sugar, to be paid for out of a special primage duty of 5 per cent ad valorem on all imports.

This problem went deep into South African life. The majority of the white population are Afrikaaners and not strongly attached to Great Britain. When South African currency parted company with sterling a chance was created for Amsterdam, Paris and New York which, if taken advantage of, would still further weaken the ties with London. Yet any change meant severe stress on exporters. The government saw the chance of balancing its budget by making some $2,500,000 on each of its semiannual interest payments in London, thanks to a 30 per cent depreciation in sterling. It tried to keep its primary producers quiet by the subsidy at the cost of a negligible tax on imports.

The period of stress and transition needed to be bridged by a loan or by inflation because gold might have to be exported to support exchange. For a $50,000,000 loan American bankers wanted 3 per cent for promotion, 6 per cent interest and the guarantee of the British Government—terms which were refused. It was reported that negotiations were begun in Paris, but discouraged by the British Government. This interference was categorically denied on Nov. 17, but it convinced some Afrikaaners that Great Britain was plotting to retain some economic control of South Africa. Meanwhile, the Gold Producers' Committee of the Transvaal Chamber of Mines had declared on Nov. 13 that to follow sterling would secure greater confidence than monetary independence. They of course saw a great reduction in working costs if they could pay their expenses in a depreciated currency. Low grade mines would become profitable. It was calculated that a 10 per cent devaluation of currency would increase the average life of the Witwatersrand mines by 50 per cent.

The present government of South Africa is a coalition of quasi-repub-

lican Nationalists and Labor, opposed by the South African Party. After prolonged Cabinet discussions a special session of Parliament was held, and on Nov. 20, N. C. Havenga, Minister of Finance, reaffirmed the decision to remain on gold. An emergency bill to that effect was carried by 78 to 53 on Nov. 25. A new coin of 113 grains fine, called the "rand," will replace the pound. Arrangements must be made to allow the Reserve Bank to diminish its legal gold reserve if necessary to support exchange by shipping bullion, and to compel the mines to sell gold to the Reserve Bank instead of shipping it to London. In all, the government has decided that the sufferings of primary producers will be temporary and are worth the price of economic independence.

THE NEW ZEALAND ELECTION

Prime Minister G. W. Forbes of New Zealand and leader of the Reform-United Coalition which had a majority of about 46 to 23 over the Labor Opposition in Parliament, announced on Oct. 23 that a general election would be held on Dec. 2 to secure approval for his policies of retrenchment and financial reform. On Nov. 2 the Cabinet took the unusual step of reducing some tariff rates and curtailing public works financed by loans. He hoped to divert labor from uneconomic industries and unjustifiable public works to agriculture and the development of waste-lands. The election resulted in a victory for the Coalition, with 29 seats held by the Reform party, 21 held by the United party and one Independent, as against 24 Laborites and a possible 5 Independent supporters.

THE REBELLION IN CYPRUS

The total number of those deported from Cyprus for life was ten, including two former members of the Legislative Council, in which the agitation against tariff changes was carried on to the point of mass resignation and the excited procession which culminated in the destruction of the Governor's house. The deported churchmen were the Bishops of Kitium and Kyrenia. The total number of deaths during the disturbances was six. The municipalities were made responsible for all damage done by the rioters. The departure of the naval vessels and aeroplanes on Nov. 9 marked the end of disorder. On Nov. 17 the Legislative Council was suspended and legislative powers were conferred on the Governor.

END OF EAST AFRICAN UNION

The British Parliamentary committee on the closer union of East Africa published its report on Nov. 3. It rejected the proposals for administrative union of Uganda, Kenya and Tanganyika, thus disposing of a long-disputed constitutional controversy. Continuous cooperation through conferences was recommended, as was the appointment of an adviser on transportation empowered to advise the three Governors.

The Statute of Westminster: Full Text

THE Statute of Westminster, the momentous act of the British Parliament under which the Dominions are given a status equal to that of the mother country and thereby what amounts to virtual independence (see the article, "The British Commonwealth of Independent Nations," by Robert A. MacKay, CURRENT HISTORY, September, 1931, pages 845-848), received the royal assent on Dec. 11. The full text of the act, the purpose of which is "to give effect to certain resolutions passed by imperial conferences held in the years 1926 and 1930," is as follows:

Whereas the delegates of His Majesty's Governments in the United Kingdom, the Dominion of Canada, the Commonwealth of Australia, the Dominion of New Zealand, the Union of South Africa, the Irish Free State and Newfoundland, at Imperial Conferences holden at Westminster in the years of our Lord nineteen hundred and twenty-six and nineteen hundred and thirty did concur in making the declarations and resolutions set forth in the Reports of the said Conferences:

And whereas it is meet and proper to set out by way of preamble to this Act that, inasmuch as the Crown is the symbol of the free association of the members of the British Commonwealth of Nations, and as they are united by a common allegiance to the Crown, it would be in accord with the established constitutional position of all the members of the Commonwealth in relation to one another that any alteration in the law touching the Succession to the Throne or the Royal Style and Titles shall hereafter require the assent as well of the Parliaments of all the Dominions as of the Parliament of the United Kingdom:

And whereas it is in accord with the established constitutional position that no law hereafter made by the Parliament of the United Kingdom shall extend to any of the said Dominions as part of the law of that Dominion otherwise than at the request and with the consent of that Dominion:

And whereas it is necessary for the ratifying, confirming and establishing of certain of the said declarations and resolutions of the said Conferences that a law be made and enacted in due form by authority of the Parliament o' the United Kingdom:

And whereas the Dominion of Canada, the Commonwealth of Australia, the Dominion of New Zealand, the Union of South Africa, the Irish Free State and Newfoundland have severally requested and consented to the submission of a measure to the Parliament of the United Kingdom for making such provision with regard to the matters aforesaid as is hereafter in this Act contained:

Now, therefore, be it enacted by the King's most Excellent Majesty by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

1. In this Act the expression "Dominion" means any of the following Dominions, that is to say, the Dominion of Canada, the Commonwealth of Australia, the Dominion of New Zealand, the Union of South Africa, the Irish Free State and Newfoundland.

2. (1) The Colonial Laws Validity Act, 1865, shall not apply to any law made after the commencement of this Act by the Parliament of a Dominion.

(2) No law and no provision of any law made after the commencement of this Act by the Parliament of a Dominion shall be void or inoperative on the ground that it is repugnant to the law of England, or to the provisions of any existing or future Act of Parliament of the United Kingdom, or to any order, rule or regulation made under any such Act, and the powers of the Parliament of a Dominion shall include the power to repeal or amend any such Act, order, rule or regulation in so far as the same is part of the law of the Dominion.

3. It is hereby declared and enacted that the Parliament of a Dominion has full power to make laws having extra-territorial operation.

4. No Act of Parliament of the United Kingdom passed after the commencement of this Act shall extend, or be deemed to extend, to a Dominion as part of the law of that Dominion, unless it is expressly declared in that Act that that Dominion has requested, and consented to, the enactment thereof.

5. Without prejudice to the generality of the foregoing provisions of this Act, sections seven hundred and thirty-five and seven hundred and thirty-six of the Merchant Shipping Act, 1894, shall be construed as though reference therein to the Legislature of a British possession did not include reference to the Parliament of a Dominion.

6. Without prejudice to the generality of the foregoing provisions of this Act, section four of the Colonial Courts of Admiralty Act, 1890 (which requires certain laws to be reserved for the signification of His Majesty's pleasure or to contain a suspending clause), and so much of section seven of that Act as requires the approval of His Majesty in Council to any rules of Court for regulating the practice and procedure of a Colonial Court of Admiralty, shall cease to have effect in any Dominion as from the commencement of this Act.

7. (1) Nothing in this Act shall be deemed to apply to the repeal, amendment or alteration of the British North America Acts, 1867 to 1930, or any order, rule or regulation made thereunder.

(2) The provisions of section two of this Act shall extend to laws made by any of the Provinces of Canada and to the Powers of the legislatures of such Provinces.

(3) The powers conferred by this Act upon the Parliament of Canada or upon the legislatures of the Provinces shall be restricted to the enactment of laws in relation to matters within the compe-

tence of the Parliament of Canada or of any of the legislatures of the Provinces respectively.

8. Nothing in this Act shall be deemed to confer any power to repeal or alter the *Constitution or the Constitution Act* of the *Commonwealth of Australia* or the *Constitution Act of the Dominion of New Zealand* otherwise than in accordance with the law existing before the commencement of this Act.

9. (1) Nothing in this Act shall be deemed to authorize the Parliament of the Commonwealth of Australia to make laws on any matter within the authority of the States of Australia, not being a matter within the authority of the Parliament or Government of the Commonwealth of Australia.

(2) Nothing in this Act shall be deemed to require the concurrence of the Parliament or Government of the Commonwealth of Australia in any law made by the Parliament of the United Kingdom with respect to any matter within the authority of the States of Australia, not being a matter within the authority of the Parliament or Government of the Commonwealth of Australia, in any case where it would have been in accordance with the constitutional practice existing before the commencement of this Act that the Parliament of the United Kingdom should make that law without such concurrence.

(3) In the application of this Act to the Commonwealth of Australia the request and consent referred to in section four shall mean the request and consent of the Parliament and Government of the Commonwealth.

10. (1) None of the following sections of this Act, that is to say, sections two, three, four, five and six, shall extend to a Dominion to which this section applies as part of the law of that Dominion unless that section is adopted by the Parliament of the Dominion, and any Act of that Parliament adopting any section of this Act may provide that the adoption shall have effect either from the commencement of this Act or from such later date as is specified in the adopting Act.

(2) The Parliament of any such Dominion as aforesaid may at any time revoke the adoption of any section of this Act.

(3) The Dominions to which this section applies are the Commonwealth of Australia, the Dominion of New Zealand and Newfoundland.

11. Notwithstanding anything in the Interpretation Act, 1889, the expression "Colony" shall not, in any Act of the Parliament of the United Kingdom passed after the commencement of this Act, include a Dominion or any Province or State forming part of a Dominion.

12. (1) This Act may be cited as the Statute of Westminster, 1931.

(2) This act shall come into operation on the first day of December, nineteen hundred and thirty-one.

France Feels the Economic Pinch

By OTHON G. GUERLAC

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WHEN Premier Laval of France, returning from his wanderings, reappeared before Parliament on Nov. 12, he was met by an Assembly eager to know what he had done during the four months' vacation and by no less than seventy-four requests for interpellations.

These ranged, as usual, from the many-sided foreign situation and the ever-increasing seriousness of unemployment, to the "undue length of the Parliamentary recess" and the spectacular fight against Corsican bandits. In a House of 612 members, most of whom have solutions to offer and grievances to air, it may be imagined what a flood of oratory will flow from the tribune.

The seriousness of the economic situation was recognized by the Opposition and the government alike. "All industries except those that work for M. Maginot (the Minister of War) are seriously hit," said the Socialist leader Léon Blum on the opening day. The Prime Minister acknowledged that during the Summer

the administration had had to solicit from the Council of State an additional appropriation of 47,000,000 francs (about $1,875,000) to help the unemployed. During the debate every kind of remedy was suggested. Some orators wanted higher protective duties for one industry or another. An import duty of 25 per cent ad valorem on shoes was voted to defend the French shoe industry against Czechoslovak competition. Protectionist agitation in general was increased as a result of the new British tariff policy, and duties were raised 15 per cent against all countries with a depreciated currency. A more drastic attempt to levy a tax on all incoming raw materials and manufactures, however, was defeated by a vote of 325 to 261 on Dec. 8.

Other members of the House sought to meet the rising tide of economic difficulty by demanding the expulsion from France of all foreign wage earners. Even the Socialists voted for a temporary barring of alien workers and for the restriction of foreign labor in French industries to 10 per cent. The most constructive measure was taken on Dec. 5, however, when the Chamber accepted the national equipment bill calling for the expenditure of $140,000,000 on public works. Two-thirds of the money will be found by the State by the mobilization of credits due for deliveries in kind, by treasury advances and by a loan. The other third will be raised by the departments and communes out of local budgets or local loans. It is estimated that work will be provided for 100,000 persons in many different trades for at least a year.

The threatened rise in railway fares, necessitated by the huge deficit of $200,000,000 (French railways have the lowest rates in Europe), caused quite a flurry at the first meeting of the House. The Radical-Socialist, Daladier, asked for a full discussion by the Chamber, while the Premier, who has the right to raise rates by decree, intended to discuss the question only before the interested committees. In the test vote that ensued M. Laval won by the small margin of 37. He stated later that while the decision had been provisionally postponed, some measure of relief will have to be given. Railroad fares in France are still 18 per cent cheaper, on a gold basis, than they were before the war, while taxation has so increased that the government takes 30 per cent of all fares.

The debate on foreign affairs concerned the problem of Franco-Soviet relations, ably presented by the young Radical Deputy, Bergery; the loans made to Poland, Yugoslavia and Hungary, which totaled, according to one authority, $40,000,000; the Laval trip to Washington and the German reparations. M. Bergery reproached the majority for not having accepted in 1927 the Soviet offer of partial settlement of pre-war debts in exchange for credits needed by the Russians, a bargain which would have given to France a substantial portion of the commerce that has since gone elsewhere. The political loans to the three countries mentioned were criticized both as illegal, having been made without the consent of Parliament, and as extravagant, for they crippled the treasury already threatened with a large deficit.

The Franco-German problem was discussed in much the usual terms. Members of the Right complained again of continuous concessions made to a recalcitrant and defaulting debtor who manages to find money for sumptuary expenses and pocket-cruisers; the members of the Radical-Socialist and Socialist groups pointed out the need of a realistic policy and the necessity of facing the inevitable disappointments that the reparations schedule was sure to bring. Several Socialists called for genuine and drastic disarmament. The response of M. Laval, which took into consideration the complexion of his majority, disap-

pointed many foreign observers and irritated the Germans. After justifying his Washington trip in that it placed France in her true light before the American public and dissipated all misunderstandings, he claimed to have brought President Hoover to see the superiority of the normal procedure provided by the Young Plan over the exceptional régime of the moratorium. However much he wanted to see Germany solvent he could not, he added, permit German private debts to be put ahead of reparations and he insisted that if payments to France are reduced by Germany, French obligations to other countries must be cut in the same ratio. The declaration of M. Laval was approved by the Chamber.

DISARMAMENT CONFERENCE RIOT

The International Disarmament Conference which took place in Paris in the last days of November illustrated anew the difficulty of agreement on this question. While the first few days' proceedings went off peaceably enough, the final meeting, on Nov. 27, presided over by M. Herriot and addressed by Viscount Cecil, Signor Scialoja, Alanson B. Houghton and many other distinguished speakers, was broken up by rowdyism organized by some so-called "patriotic" organizations and by a group of young Royalists who have specialized for many years in scenes of this sort. Those Paris papers which tried to condone this outburst found an excuse in what they called the resentment of some French parties toward foreigners who wish to "disarm France" without providing her with the assurance of safety by an international force or a treaty of mutual guarantee.

RADICAL-SOCIALIST POLICIES

The Radical-Socialist party held its twenty-eighth convention in Paris on Nov. 5-8. Edouard Herriot was unanimously elected president, succeeding M. Daladier. On the question of Parliamentary tactics it was voted, after a speech by ex-Premier Chautemps, "to remain in the Opposition and leave to the majority the responsibility of an economic, financial and foreign policy which they have always denounced." In the debate on foreign policy certain remarkable statements were made. The young Deputy from Savoy, Pierre Cot, who last year had somewhat frightened certain members of the party by his bold internationalism was content this year to advocate only simultaneous reduction and supervised limitation of armaments, extension of the powers of the League of Nations with an international force at its disposal, internationalization of all commercial aviation and prohibition of the private manufacture and sale of arms.

The speech of M. Cot was enthusiastically received. M. Herriot, who followed him and claimed to be in entire accord with his conclusions, was more concerned, however, with defending against the Socialists his own attitude on the *Anschluss*, the Hoover moratorium and the military appropriations. He resented the accusation of nationalistic tendencies which had been leveled at him, but proclaimed the necessity of prudence. "As long as war is possible," he stated, "I shall not consent to unilateral disarmament," and he showed how, to his mind, certain German attitudes justified precautions and suspicions. He declared himself "both a pacifist and a patriot" and likewise was ready to accept the possibility of revision within the framework of the treaty of Versailles.

BANDITS IN CORSICA

The romance of Merimée's *Colomba,* that favorite novel about Corsican bandits, is not altogether outmoded today. Outlaws still terrorize the neighborhood and kill gendarmes, a process which meets with the approval and good-will of many Corsicans. In the last two years fifty murders

have been committed by these "heroes," and six victims have been gendarmes. At the beginning of November it was decided to stamp out this banditry, which had become a serious menace to business and to tourists. Five hundred and forty men, equipped with armored cars, police dogs and machine guns, and accompanied by a corps of correspondents, were dispatched to the island and, in cooperation with warships, undertook a thorough round-up of the desperadoes.

Nearly a hundred people were arrested, including a few bandits. Many hid in the bush, and these the authorities expect to starve into submission. Naturally, local pride was wounded by the unpleasant notoriety given to what is almost a national institution. The local papers protested against what one of them calls "the worst humiliation that could be inflicted upon the country." An interpellation in the Chamber by the Communist Deputy, Berthon, elicited the response from M. Laval that conditions necessitated this show of force and that he regretted the unwholesome publicity.

DEATH OF LOUIS LOUCHEUR

The death on Nov. 22 of Louis Loucheur at the age of 59 deprived France of one of her most gifted statesmen. Son of a humble railway-crossing keeper, he had been able, thanks to the system of French scholarships, to receive a sound education and to become a prominent engineer of the North Railway Company. Abandoning this position for a private career as a railroad builder and promoter, he amassed a large fortune. In November, 1914, he was drafted by Millerand to organize the manufacture of war material. In 1916 he entered the Briand Ministry as Under-Secretary of Armament, and from that time on held important posts in various Ministries, his last appointment having been in the short-lived Steeg Cabinet. In 1919 he was elected a Deputy. A member of the Radical Left, his remarkable power for work, his skill as a debater, his broad and bold views in economic and administrative matters made him one of the most influential men of the post-war period. In 1922 he signed with Rathenau the famous Wiesbaden agreement for the payment of reparations in kind. At Geneva, where he was often sent as a delegate to the League of Nations with his friend Briand, his influence was notable. As the Speaker of the Chamber stated in delivering his eulogy before the House, Loucheur was at the same time a patriotic Frenchman and a good European.

THE OPENING OF THE BELGIAN PARLIAMENT

When the Belgian Parliament opened on Nov. 10, Jules Ponthieu, Catholic Deputy, was re-elected president of the Chamber, while the Senate similarly honored the Minister of State, Charles Magnete, liberal Senator from Liége. Socialist interpellations on the economic crisis filled the first week. Statistics show that on Nov. 15 there were about 80,000 men unemployed and about 100,000 only partially unemployed. In spite of the strict economy plan of the government it may be necessary, under the pressure of both the industrialists and the Socialists, to institute a program of construction of public works, such as France has already done.

The impending British tariff, which has caused France so much concern, has likewise added to the Belgian economic unrest. On Nov. 28 it was announced that all glass manufactories would be closed at the end of December, to open three months later, but only on half time. The flax and tapestry industries have also been seriously affected. Foreign Minister Hymans has attempted to negotiate with the British Government an accord that might forestall some of the results anticipated. If this is unsuc-

cessful, however, the House will vote upon the question of an economic union with Holland and France, and perhaps also with the Scandinavian countries. Belgium has already sent a delegate to the conference called at Hamburg to discuss the attitude to be taken by all countries threatened by the British tariff.

The Flemish spirit seems to live on unabated. On Nov. 24 King Albert was booed and hissed at St. Trond by a crowd of Louvain students and Flemish nationalists who shouted: "Down with the King, long live Borms!" Borms is the Flemish separatist who, after being freed from a sentence of life imprisonment, has become the standard bearer of the extremists of the "front party."

Germany in Suspense

By SIDNEY B. FAY
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WHILE Germany's delegates were appearing before the Young Plan advisory committee in an attempt to secure for the Reich an effective relief from reparations (see pages 571-575 of this magazine), the country itself was beset by internal political troubles which have long been brewing and which keep the people in a state of suspense as to what is likely to happen next. Although Chancellor Bruening must have for months been aware of the growing strength of German Fascism, it was not until early in December that he took definite steps toward exorcising the brown-shirted spectre which recent local elections have shown to be gaining in power and popular support.

In balloting for the Hessian Diet on Nov. 15 the National Socialists more than doubled the popular vote which they cast at the Reichstag election of September, 1930, the returns indicating about 290,000 now, as compared with 138,000 fifteen months ago. This gives them thirty of the total of seventy-two seats in the new Hessian Diet, as compared with the one seat which they secured in the last local election of 1927. The Communists also made considerable gains at the expense of the Social Democrats. The voting was once more symptomatic of the political drift throughout Germany. The Roman Catholic Centre party holds its own, but the Social Democrats are losing, while many of the old small parties are being almost wiped out as their former members vote for Hitler's candidates.

With the election victories Hitler's claims and promises have swollen in proportion. He now claims that he could win 15,000,000 votes in a general Reichstag election—more than a third of the electorate. He has been very voluble at home and to foreign correspondents concerning some of the things he will do when his followers come into power. He himself will not seek the Presidency, though he declines to say who will be his candidate or what governmental changes he will make. He will not "march on Berlin," because Berlin will have to capitulate to the overwhelming number of his followers in a legal and constitutional election sooner or later. He will respect all private commercial debts owed by Germans abroad, but he will pay no more "tribute" in the form of reparations. He will avoid as far as pos-

sible any further German borrowing abroad at ruinous rates of interest, and will try to build up German capital within the country. The details of his economic program, however, he will not now reveal, lest the Bruening Cabinet steal his thunder.

In general, in spite of the somewhat extravagant language in which Hitler voices his claims and promises, one notes a decided trend in the direction of moderation in the substance of his policies. If indeed his party should come into power within the next few months and he should actually have to assume responsibility, it is probable that he would move still further in the direction of moderation. It is an often-observed political fact that radicals and extremists who are loud in denunciation of their opponents while out of office become much more moderate and reasonable when they themselves get into office and have to assume serious responsibilities. So would it probably be with this dramatic young man of 44 who, next to his contemporary, Chancellor Bruening, and to the venerable President of the Reich, von Hindenburg, has now become the most interesting and powerful political figure in Germany. (See article by Gerhard Friters on pages 532-536 of this magazine.)

CHANCELLOR BRUENING'S NEW DECREES

While Hitler was going up and down the land making speeches and giving interviews to foreign correspondents Chancellor Bruening was hard at work drafting new emergency decrees to save Germany from bankruptcy, relieve depression, stimulate foreign trade, and preserve the republic from serious political and economic disorders. His long-heralded program, signed by President von Hindenburg and issued on Dec. 8, contains the following drastic provisions: House rents and the prices of standardized articles controlled by the cartels, including coal, iron and potash, are to be cut 10 per cent. Other cartel agreements are declared void. A price commissioner, who will see that the intended reductions in prices are really effected, is appointed. Official salaries in the Reich, the States and the communes are cut 9 per cent, effecting a saving estimated at $20,000,000. Wages are reduced 10 per cent. Physicians' fees are lowered and easier terms for health insurance are made available.

Interest rates on loans, bonds and mortgages, public and private, up to 8 per cent, are cut to 6 per cent; and those above 8 per cent are cut by a quarter to one half. The Lombard rate (interest on security loans) is reduced from 10 to 9 per cent. Parallel with these reductions, the Reichsbank is to lower its discount rate from 8 to 7 per cent. Landowners are protected against forced auction sales by the provision that no bid under 70 per cent of the property's valuation need be accepted. Some taxes are reduced but the turnover is raised from 85-100 of 1 per cent to 2 per cent. Measures against the flight of capital abroad are strengthened by the provision for various degrees of confiscation. As a special tax on those who evade German taxation by living abroad, it is decreed that these are to deliver 25 per cent of their funds invested in Germany; if they fail to pay this special tax they are to be arrested and sent to jail.

In order to prevent street disorders and demonstrations hostile to the government, the wearing of political uniforms of any kind is forbidden except in homes. In order to secure a "Christmas political truce," all political meetings and outdoor demonstrations were prohibited until Jan. 2, 1932. Three months' imprisonment is threatened to all who defame public officials. The sale of firearms and other weapons is limited and public authorities are empowered to seize those now in private hands.

In a brief radio address accompanying the issuance of these decrees,

Chancellor Bruening explained that they marked the end of the post-war reconstruction measures for deflation and for improvement of Germany's distressed condition. He excoriated Hitlerism, denouncing Hitler for making claims and promises as if he represented Germany, and declaring that he himself alone could speak officially for the country.

The Federal Government's attitude toward Hitler was so uncompromising that he was forbidden to make a transatlantic wireless talk on Dec. 11, and the Prussian Government was reported to have threatened him with expulsion if he persisted in using Berlin as a base for his foreign propaganda. The Fascist leader left the national capital on Dec. 14, not, however, altogether because of the hostility of the Bruening régime. It appears that he has been having difficulty with Paul Joseph Goebbels and Gregor Strasser, his deputies in Northern Germany, who do not approve of the "legal" methods by which their chief proposes to take over the control of the Reich. Strasser, speaking in Stuttgart on Dec. 11, promised that the reordering of the nation will be drastic. "Let no one talk to us of mercy," he said. "No mercy has ever been shown us. We shall be hard, ruthless and brutal in cleaning up the trash of the last twelve years, and we shall not yield an inch." Hitler, on the other hand, has apparently decided that the Nazi rise to power must be altogether gentle and that some sort of modification of policy must precede that accord with the present government which Chancellor Bruening's outspoken denunciations of Dec. 8 have, on the face of the matter, forced him to consider seriously.

THE DEPRESSION IN HOLLAND

Holland, though one of the richest and economically one of the most healthy countries of Europe, has been unable to escape some of the effects of the general world depression. To aid the unemployed, Princess Juliana opened on Nov. 23 a meeting of a new National Crisis Committee, declaring that great distress necessitated great measures. Queen Wilhelmina contributed 10,000 guilders ($4,000) to the committee and placed one of her palaces at its disposal. The government contributed 750,000 guilders ($300,000), and other large gifts have been promised.

To offset the new British tariff and possible dumping by countries with depreciated currencies, the Second Chamber in Holland by a vote of 56 to 36 on Nov. 19 adopted a bill raising the general import tariff from 8 to 10 per cent ad valorem. It is regarded as a temporary measure, to run until January, 1935.

Trouble between weavers in one small Dutch textile factory who demanded an increase in wages, and the managers, who insisted on a reduction in wages on account of general economic conditions, threatened early in December to spread to thirty other textile mills and cause a general walkout involving 18,000 weavers and spinners.

ELECTIONS IN SWITZERLAND

The reduction of the number of members of the National Council of the Swiss Confederation from 198 to 187, effected by a referendum several months ago, resulted in gains by the anti-bourgeois parties in the general election held on Oct. 25. The bourgeois groups, the strongest of which are the Liberals with fifty-two Deputies, the Catholics with forty-four, and the Agrarians with thirty, have eleven fewer seats in the new Council than they had in the old one. While the Socialists lost one seat, being cut from fifty to forty-nine, the Communists gained one, giving them a total of three. The total popular vote rose from 804,607 in 1928 to 849,800, of which the Socialists cast 246,572, a gain of 26,141; the Liberals 230,698, a gain of 10,563; the Catholics 183,765, a gain of 11,249; the Agrarians 131,285, a gain of 4,324; and the Communists 15,831, a gain of 1,013.

Spain Under a New Constitution

By WILLIAM E. LINGELBACH
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SPAIN at the end of November saw the completion of the Constitution on which the Cortes has been at work continuously since July 14. In many ways it is one of the most remarkable instruments of government developed in the post-war years. According to Louis Jimenez Asua, chairman of the Assembly's committee on the Constitution, it was influenced mainly by the German, Mexican and Russian models, while at the same time a determined effort was made to inject into it the "life blood of the revolution."

According to the new Constitution "Spain is a republic of the workers of all classes." Men and women 25 years of age have the right to vote, and provision is made for a referendum by the people on any provision of the Constitution, save the articles dealing with the church, if demanded by 15 per cent of the voters. The machinery of government is simple. There is a President and a Parliament of one chamber. The President, save for the first one, is elected for a term of six years by an electoral college, one-half elected by the direct vote of the people, the other by the legislative body. He is given extensive powers which are defined in a section of twenty-two articles that also establish careful safeguards against Executive usurpation. He cannot, for example, suspend the Cortes more than twice in the same year, and then for short periods only. Similarly, he may dissolve Parliament only twice during his Presidency. and must order a new election within sixty days. It must be admitted that constitutional safeguards have not, as a rule, been very effective against the ambitions of dictators. In Spain itself the Constitution of 1876 had similar provisions, yet during the six years from 1923 to 1929 the Cortes was not summoned.

Among the other provisions, most of which are already fairly well known, are the separation of church and State, rigorous regulations governing the religious orders, the secularization of education, easy divorce through the secular courts, equality of illegitimate children with legitimate, provisions for nationalization of property, especially of large landed estates and of essential industries, an Economic Council with power to draft measures on economic matters and submit them to the Cortes, and a liberal measure of home rule for Catalans, Basques and others. A special article voted by acclamation provides that the national flag shall be the revolutionary red, yellow and purple horizontal stripes. Entirely novel and altogether unique is the provision forbidding any declaration of war that is not in accord with the agreements of the League of Nations or obviously defensive.

The mere summary of these provisions reveals how completely the Cortes, in the course of less than six months, has transformed a semi-feudal nation into an up-to-date modern State with decidedly Socialistic tendencies. It now remains to be seen whether the subsidiary legislation under the Constitution will follow radical lines and carry Spain still further toward socialism, or whether conservative policies will prevail. The

election of Niceto Alcala Zamora on Dec. 10 as the first President of the Spanish Republic should afford some assurance of moderation.

In the meantime, the government is making no concessions. On Nov. 20 Alfonso XIII was declared "guilty of high treason" against the sovereignty of the Spanish people, despite the courageous defense of the ex-King by his old friend, Count de Romanones. The bill not only strips him of his title and possessions—estimated at $10,-000,000—but imposes "perpetual imprisonment in case he steps upon Spanish soil." Newspapers like *ABC*, which protested, were promptly surpressed for several days. Three days later, on Nov. 23, Casares Quiroga, the Minister of the Interior, under the defense of the republic act, sentenced, without trial, three persons to exile, five to remote villages in Spain and two to fines of 2,000 pesetas each (about $400 at par value of the peseta) for alleged participation in what he called a "Catholic political plot." *El Debate* declared the charges were trumped up. This arbitrary administration of the act is the more remarkable because on Nov. 25 the Cortes passed a broad general amnesty bill the details of which were left to the government to work out. Under the plan, many political prisoners, held since the proclamation of the republic, will be released, members of the Spanish nobility abroad will be allowed to return, and sentences of criminal offenders reduced or abrogated.

On the economic side considerable hesitation has manifested itself in business because of the uncertainties arising out of the Socialist provisions of the Constitution and the two-year land program announced by Fernando de Los Rios, Minister of Justice, on Nov. 29. The proposed legislation which, he says, has the support of President Zamora, provides for the breaking up of the large estates with only slight compensation to the owners and the turning *over of the land to thousands of landless peasants for collective farming.* Another objective of the Socialists appeared in the bill early in the month to bring the Bank of Spain—a semi-private institution—more directly under the control of the government. The directors resigned in protest, but were persuaded by the stockholders to remain lest control of the institution pass entirely to the Socialists. Temporarily the move was blocked. In the meantime, the Minister of Finance, Indalecio Prieto, announced his determination to see the measure through. "Either the bank beats the government or the government beats the bank," he declared, in an animated meeting of the Cabinet. The government is anxious to use more of the gold reserve employed to maintain the rather unusually high ratio of the gold cover, and to issue more paper money to meet the decline in national income which has resulted from the establishment of the republic and the program of socialization. Under these conditions the peseta, which at par is 5.18 to the dollar, fell to a new low of 11.56 during the month. A 50 per cent cut in the number of civil employes was made in October. It involves taking the names of thousands of public servants, whose work had been entirely perfunctory, off the payroll. Along with this measure went an increase of 20 per cent in the salaries of the remainder, for the purpose of improving the service and attracting to it young men and women devoted to the republic.

The measure has caused much criticism and discontent. Added to the dissatisfaction over the legislation against the church, it may serve to bring about a swing toward the Right in the elections for a new Cortes. Though quiescent for the time being, the church question, the demands for greater autonomy in Catalonia, the Basque provinces and Andalusia, and the hostility of the middle class to socialism contain latent dangers to

the republic which may at any time assume serious proportions.

ITALY'S FOREIGN AFFAIRS

News of the domestic affairs of Italy has been eclipsed somewhat during the month by the spectacular visit to the United States of Signor Dino Grandi, Italy's Foreign Minister. This was emphasized still further by the fact that the brilliant young representative of Mussolini and of Fascist Italy spoke with extraordinary frankness on the great international problems of today. In all his public utterances he stressed the necessity of immediate steps toward the solution of the four major problems confronting the world at this time—the settlement of financial obligations resulting from the war, the establishment of economic cooperation between nations, the problem of security and, finally, the imperative need of reduction and limitation of armaments. In line with the Duce's speech to the assembled Fascisti in Naples on Oct. 25, he urged action in the cause of peace. "The world is in the midst of a crisis," he declared; "wholehearted cooperation is needed. * * * When the house is burning there is no time to argue where the furniture is to be placed." "Italy," said Signor Grandi, "favors a peaceful revision or modification of post-war treaties, including the Treaty of Versailles, particularly in regard to frontier lines."

In view of the economic and financial situation some sort of military and naval holiday is a matter of supreme importance to Italy. Besides, as matters stand at present, she will be in a very favorable position relatively for the setting up of ratios at the Geneva Disarmament Conference in February.

In the meantime, the government has been speeding up the naval program. Not only did Italy launch 20,325 tons more in 1930 than did France, but she is making full preparation for the five-year competition beginning January, 1932, unless the Geneva conference brings about an agreement. Her shipyards are superb and, despite the general depression, are busy day and night building war vessels for the Argentine, Brazil, Turkey, Greece, Rumania and Soviet Russia.

ITALIAN ECONOMIC CONDITIONS

Unfortunately, other industries are not prospering as is shipbuilding, although recent months have shown a favorable trade balance. The actual volume of exports, even if the low cost of raw products is considered, shows a steady though modest increase. On the whole, the Italian press is optimistic on the business outlook. The gold reserve of the Bank of Italy has been increasing, while the foreign exchange holdings and notes in circulation have decreased till the average is now about 40 per cent. Serious alarm has also been caused among the wine-makers by the decision on the part of the Minister of Agriculture to enforce the new law limiting the production of certain well-known Italian wines to the regions where they originated. For many years the producers have been making wines to type and not necessarily in the district where the particular wine was first produced. The six wines involved are Marsala, Asti Spumante, Asti Moscato, Orvieto, Soane and Altoatesini, but the plan includes similar regulations for the popular Chianti and the wines of the Castelli Romani. Every year many millions of liters of these wines are exported, Orvieto being particularly popular in Germany, France and South America, three-fourths of the entire production of 11,500,000 liters being sent to these countries. The yield of Marsala in the region near Palermo is over 20,000,000 liters; a medium production for Altoatesini is about 30,000,000, and for the two qualities of the Asti over 25,000,000.

As a part of the government planning for the economic stabilization of the nation the Banco Commerciale

Italiano, Italy's largest financial institution, with affiliates in many countries—three in the United States—announced on Nov. 3 that it would withdraw from all commercial activities and in the future confine itself entirely to banking. Its large holdings of industrial and real estate securities will be transferred to a new credit institution, the "Instituo Mobiliare Italiano," authorized in a Cabinet meeting over which Mussolini presided on Nov. 9. The government at once placed 26,000,000 lire (the lira is worth 5.26 cents at par) to its credit. Subscriptions were opened for an equal amount of the stock on Nov. 16, with the surprising result that it was entirely underwritten on the same day. Its chief work will be to thaw out "frozen" credits by financing indus trial and agricultural enterprises oı long-term credits. The Banco Com merciale Italiano, on the other hand by getting rid of its "frozen" assets will greatly increase its liquid capital

The demands of the State upon th national resources are heavy, and con siderable opposition to some of th special taxes to balance the budge has appeared, especially in the cities The new window tax, for example, i most unpopular, shopkeepers even go ing into "mourning" by covering thei windows with black paper. Perhap because of the justice of the protes or because of its conspicuousness, th government ordered a ten-day mora torium on the tax in order to investi gate the situation.

Steps Toward Balkan Cooperation

By FREDERIC A. OGG

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ALTHOUGH few of the resolutions adopted at the first Balkan Conference, held in Athens in the Autumn of 1930, resulted in action, a second conference convened in Istanbul on Oct. 20, 1931. Surveying the outcome, at the conclusion of a session of some ten days, most participants and observers believed that all reasonable hopes had been fulfilled. Needless to say, the discussions brought out sharp differences of view and policy. Basic to the entire deliberation was the question of whether, in order to expedite agreement on various matters of an economic nature, political questions should be barred, at all events until after economic settlements had been arrived at, or whether those members were correct who urged that no lasting rapprochement could be attained without first disposing of political problems, notably that of the treatment of minorities in Bulgaria. Neither vie prevailed exclusively because, as ever delegate realized, political and eco nomic issues are, in the Balkans a everywhere else, inseparable. Politica discussions, however, were not allowe to gain such intensity as to frustrat certain important economic agree ments.

Understandings were reached co cerning the establishment of a com mon agency for controlling and co ordinating the production of tobacc a principal product of nearly ever Balkan country, the founding of a Ba kan cereal union and the creation c a Balkan Chamber of Commerce i Istanbul charged with recommendin tariff measures and preparing a pla for a partial customs union. A proje for a Balkan postal union was a proved, and transport was discusse Even a proposal for the unification c civil law was not frowned down,

Whatever may subsequently come of it, the most challenging phase of the work of the conference was the unanimous adoption of a resolution instructing a special committee to draw up a non-aggression pact to be submitted to the various Balkan governments three months in advance of the 1932 meeting, and to be placed on the agenda of that gathering. Some wanted the pact used in the recent conference; better judgment, however, prevailed, and there will now be opportunity for a plan to be elaborated thoughtfully and with due regard for the appalling variety of attitudes and susceptibilities to be encountered. The task may prove an impossible one. But that it should be undertaken at all is encouraging. As adopted, the resolution not only accepted the principle of the outlawry of war and substituted for it that of arbitration, but recommended that the Balkan States proceed with the negotiation of bilateral arbitration treaties among themselves. The hope was also expressed that the disarmament conference would yield positive results.

THE ELECTION IN YUGOSLAVIA

On Nov. 9 Yugoslavia held the first general election since the beginning of the dictatorship in 1929. Nominally, the dictatorship had ended, and under the terms of a new national Constitution promulgated in September a Parliament was being chosen as an instrumentality of a revised democracy. Actually, "constitutional" dictatorship persisted, and the election presented just enough of the appearance of a free contest to make, it was hoped, the right impression on foreign governments and financiers.

There were 1,200 candidates for the 310 seats in the lower chamber, but the whole number were "government" candidates, presented on a single list, and with but a single program—that of the government. Indeed, in the light of a recent speech by Foreign Minister Marinkovitch, it did not appear that those who came off victorious would, as members of Parliament, have much to say about even that program. Parties which charged that the prisons were overflowing with their supporters, who tried to collect the number of signatures requisite for candidacy, urged their adherents to refrain from voting. On the other hand, the Central Electoral Board threatened to punish abstainers. The upshot was that a total of 2,324,645 votes were cast—42 per cent of the electorate in Zagreb, 50 per cent in Dalmatia, 70 per cent in Bosnia and in Slovenia. There were no riots or similar disorders, but plenty of instances of alleged high-handed conduct by government agents and the police.

Included among the victors were former Radicals, Democrats, Independent Democrats, Croatian Peasants, Socialists, and what not, but all had gone into the contest bearing the government label. While nothing could be more certain than that wide differences of view among the parties to which they formerly adhered had not been so obliterated that the new Skupshtina could be regarded as a truly coherent political body, the rise of anything resembling a parliamentary "opposition" seemed precluded by a provision of the electoral law under which any deputy failing to support the "party" on whose list he has been elected ceases to be a member of Parliament. At all events, an opposition would seem impossible unless the government should decide that the formation of one would create an advantageous impression abroad. Of one thing there could be no doubt—that the imposing paper results of the election strengthened the determination of the Zhivkovitch Ministry to continue to conduct the country's affairs in a strong national spirit and on the lines already being pursued.

CZECHOSLOVAK FOREIGN POLICY

Foreign Minister Benes, at the close of the recent budget debate in the Czechoslovak Parliament, expounded

the government's foreign policy in which he declared that disarmament and guarantees of security must go hand in hand and cannot be expected to be attained except by gradual stages. The success of the coming general disarmament conference, he said, will depend on the moral condition of Europe when the conference assembles, the possibility of assuring small nations certain guarantees "to be given by the international peace institutions," and the friendly attitude of nations toward one another. As for Czechoslovakia herself, he added, every one should be able to understand that it is to her interest to be on terms of peace and good will with all her neighbors—because of the small size of the country and its none too numerous population placed at a spot which has always played a rôle in history as the meeting point of different civilizations, and which on that account was exposed to the menace of wars.

The world-wide depression has affected Czechoslovakia less seriously than most other countries. Yet, with industries that depend largely on export, she too has felt the pinch. Exports have fallen off, on account of both general trade depression and higher protective tariffs in other countries; home consumption has declined; and unemployment has mounted, although still considerably short of the figures reached during the deflation crisis of some eight years ago. Besides direct doles, the government is alleviating unemployment by providing work on railroads, highways, State watering places and forests. There has been consideration also of a plan under which working hours would be restricted to forty a week, wages and output remaining the same, and with the number of workmen correspondingly augmented.

In the domain of finance, the republic has for years pursued a provident policy which is reflected in a constantly balanced budget, relative freedom from the necessity of borrowing, creation of substantial reserves for hard times and stability of currency during a period of years in which all neighboring lands have suffered from inflation and acute financial crises. As a consequence, the republic has found itself in an exceptionally strong position to deal with the current depression.

PLOT AGAINST HUNGARIAN GOVERNMENT

On the night of Nov. 27, thirty-two persons were arrested in Hungary, ostensibly because they had planned to rob a leading Budapest bank, but actually on the ground that they were plotting a coup against the government. Arrests were made simultaneously throughout the provinces. Naturally, all manner of rumors arose—among them, that the alleged conspirators were planning to place Archduke Otto on the throne. This, however, became incredible when it was learned that many of the accused were persons who had helped defeat the late Emperor Karl's attempt to regain the throne in 1921. Among those arrested were members of various political parties, including the Communists, and the most plausible supposition was that, in so far as there was any common goal, the plotters intended to proclaim a dictatorship with a radical program.

The government itself was reticent—a fact from which some people deduced that a section of the government party was in too uncomfortably close relationship with the plotters to make a revelation of their real object convenient, but which others construed to mean that the plot was really an insignificant affair which the government had planned to use, as it used the train-wreck at Bia-Torbagy, to justify its continuance of martial law and strengthen its hands generally. Speaking in Parliament on Dec. 1, Minister of the Interior Fischer asserted that the plot had been conceived by only a few desperadoes and could never in any event have been

successful. Newspaper correspondents satisfied themselves, however, not only that there was a real conspiracy, but also that there was a carefully prepared plan under which 1800 men were to rush from Keeskemet to Budapest and, after being joined by the plotters in the capital, seize the public buildings and frighten the government into abdication.

ANTI-SEMITISM IN POLAND

Recurring anti-Semitic outbreaks in Poland during November, participated in chiefly by Nationalist students at Warsaw and other university centres, added another dismal chapter to the long record of bigotry and intolerance which stains the history of post-war Poland. It became necessary to close the universities and all other academic institutions in Warsaw, Vilna, Cracow and Lvov for periods of from two to three weeks. Though acts of violence practically ceased by the end of the month, plans for an economic boycott and a social and intellectual ban against all Jews indicated that further trouble might be in store. It is but fair to note that the Central Committee of the Orthodox Jews of Poland issued a statement that the anti-Semitic excesses were provoked solely by chauvinistic elements, and that the government as well as the Polish people generally condemned and suppressed the disorders.

AGITATION FOR REUNION OF CYPRUS WITH GREECE

Notwithstanding reiterated requests by Premier Venizelos that the people of Greece desist from demonstrations of sympathy with the rebellious population of Cyprus, various newspapers in Athens and other centres kept up vigorous agitation during the month. On the anniversary of the declaration of Greek independence representatives of scientific and educational bodies met at the Athens City Hall and adopted a resolution demanding a reunion of Cyprus with the Greek fatherland on Nov. 11, 1932, as a fitting commemoration of the armistice ending a war in which Greece took part as an ally of the present ruling power in the island, Great Britain. Cypriote and Greek patriotic societies have become deeply aroused, and a committee of forty-eight, headed by Admiral Konduriotis, a former President of the republic, has been lending all possible encouragement. In a statement to the Chamber on Nov. 18, Premier Venizelos revealed the fact that Great Britain offered in 1915 to return the island to Greece, and also that in more recent years the British Minister has spoken of the possibility of such a retrocession. He added, however, that a sharp note of protest from London had been threatened if attacks in the Greek press were not stopped, and asserted that the Cypriotes would suffer rather than gain from further agitation by their misguided friends.

RUMANIAN COURT SCANDALS

The Rumanian court was thrown into an uproar in early November by the elopement of Prince Nicholas and Mme. Jana Lucia Deletz, divorced wife of a Rumanian diplomat, and their marriage in the village of Tohan after a 125-mile dash by automobile to escape the disapproval of the Prince's brother, King Carol. On Dec. 3, it was announced at Bucharest that the marriage would be annulled on the ground that it was not contracted in accordance with the dynastic statute of the Hohenzollerns and that it took place without the King's consent.

Political, financial and court circles were startled on Dec. 4 by the dismissal by royal decree of Michael Manoilescu, considered the most intimate political friend of King Carol, from the post of governor of the Rumanian National Bank, and the return of C. Angelescu, his immediate predecessor. M. Manoilescu, who remained Carol's friend while the King was in exile and who was instrumental in arranging for his return, later cooperated with Finance Minister Ar-

getoianu in overthrowing the government of former Premier Maniu, which had received Carol so warmly. Like M. Maniu, he can now reflect on the ingratitude of princes.

Charles A. Davila, Rumanian Minister to the United States since 1929, resigned late in November in order to resume political life. Since the end of September he had been in his own country on leave. M. Davila is a member of the National Peasant party.

BULGARIAN RIOTS

On Nov. 27, the anniversary of the Treaty of Neuilly, much disorder occurred in the capital of Bulgaria, including attempts by street mobs to attack the buildings of the French and Yugoslav Legations. A demonstration in Parliament led to a vote excluding all Communist members from the next three sittings.

A visit by Premier Mussanoff to Ankara during the first week of December, while causing much conjecture, was generally construed as a move in recognition of Turkey's growing influence in Southeastern Europe and as evidence of a disposition on the part of the Sofia Government to overcome the country's present isolation to some degree by cultivating Turkish friendship.

The Finances of Northern Europe

By JOHN H. WUORINEN
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SWEDEN, Denmark, Finland and Estonia have during the past weeks made serious attempts to improve the standing of their respective finances. Since Sweden abandoned the gold standard in September she has been troubled by the continued demand for foreign exchange, caused in part by excessive imports. On Nov. 18 it was decided to maintain the pound sterling and the krona at their old ratio, but the decision caused concern because of the depleted foreign currency reserves in the country. On Nov. 19 the Governor of the Riksbank decided that invoices must accompany applications for foreign exchange. As a result, the bank was swamped by messengers with sheaves of invoices for examination. In the open market, dollars reached the price of five kronor, while the Riksbank quotation was only 4.84 (the normal parity of the dollar is 3.73). On Nov. 21 the unofficial rate jumped to 5.07 kronor to the dollar.

While these symptoms of Sweden's difficulties were disconcerting Stockholm, moves were being made to provide some sort of united Scandinavian financial front against further disturbances. It was reported on Nov. 7 that the central banks of Sweden, Norway and Denmark had been negotiating for the creation of a common exchange ratio for their currencies, and, ten days later, that the three countries appeared "about to adopt" a policy of following closely the English pound sterling. However, dollar quotations indicated that stability is still to be attained.

Denmark was likewise grappling with complex economic problems. After discussions between the government and the various political parties, Minister of Finance Bramsnaes presented at the extra session of the Rigsdag on Nov. 18 certain proposals designed to ease the situation. The government bill provided for far-reaching government control of the

purchase and sale of foreign exchange, bills of credit and the like; another measure proposed the abolition of gold redemption for three months from Dec. 1, the date set last September for the termination of the temporary non-redemption measure. An important feature of the first bill was that it authorized the Minister of Commerce to order exporters immediately to change foreign credits into Danish currency and to prepare measures for the prevention of the flight of Danish capital abroad. That the recent difficulties have tended to eliminate, in many matters, the earlier sharp party divisions was suggested by the Rigsdag vote on these measures. The first was passed 124 to 7, and the redemption measure by 124 to 1.

When the national Legislature of Finland began its Fall session on Nov. 9, the representatives proceeded at once to discuss ways and means for solving current financial difficulties. On Nov. 11 it was reported that the Cabinet was preparing the introduction of a bill in Parliament granting special authority to the government to issue emergency decrees concerning financial matters. The contemplated powers included the right to declare a moratorium on domestic State payments. On the same day, the Parliamentary budget committee asked the Cabinet to find ways to meet the present budget deficit caused largely by the fact that over 60 per cent of Finland's foreign indebtedness is payable in dollars, and by the consequent difficulty in fulfilling these obligations in Finnish marks, which have depreciated by about 25 per cent since September.

The Estonian Government proposed on Nov. 3 a measure which gave it monopolistic control over a substantial part of the nation's imports. Despite considerable opposition in Parliament, the bill was passed on Nov. 6 and went into effect five days later. The government monopoly thus established covers over thirty commodities, such as grain, coal, oil, agricultural machinery, automobiles and textiles, and places approximately 40 per cent of the total imports of Estonia under strict State control. Acting through the Ministry of Finance, the government will grant permission to import, but only to reliable firms. A special government committee, consisting of four members of the Cabinet, will supervise the application of the law. That the monopoly bill was but part of a larger effort to prevent an excessive demand for foreign credits, with consequent drain upon the finances of the country, was indicated on Nov. 17 when the Legislature enacted a law providing for government regulation of the use and sale of currencies and of commercial paper. *Henceforth the sale, purchase, export and import of all instruments of credit will be under State supervision; the Eesti Bank will be in charge of the system of control thus introduced.* These measures led to the resignation of Finance Minister Pung, who was unable to accept the policies sponsored by his colleagues. The vacancy was filled by the appointment of Mr. Juerman.

PROPOSED TARIFF CHANGES

Northern Europe has viewed with apprehension the raising of tariff walls designed to shut out much of its export trade. The British anti-dumping measures were calculated to bring about a decided change for the worse in the Swedish iron, steel and paper markets, and the increase of 15 per cent in duties levied by France against all nations with a depreciated currency was expected to aggravate the situation.

Denmark, in particular, is hard hit by the coming of protection in Great Britain, which for years has been the chief importer of Danish farm products—indeed, the national economy of Denmark has been largely built upon British demands. While it appears

unlikely that excessive duties would be placed upon British imports of Danish foodstuffs, even moderate rates were likely to disturb Danish farmers, for in 1930 Great Britain bought nearly 75 per cent of Denmark's agricultural exports. The Danish Minister of Finance proposed on Nov. 27 certain alterations in the existing tariff rates, but these were directed principally against fine French liquors and American automobiles.

Finland's tariff increases went into effect on Nov. 14. The new duties, which are expected to add about $3,000,000 to the income of the government, affect imports of such commodities as rice, wheat, sugar and benzine.

The much-debated question of prohibition in Finland appears to be narrowing down to vital issues. On Dec. 9 Parliament passed a bill authorizing a referendum on whether or not the present law should be repealed. No definite date for the vote has been set at this writing, nor is it known exactly what will be substituted for the present law in the event that the nation asks for its repeal. The long-awaited Björkenheim report advocated 3.2 per cent beer and 12 per cent wines, the establishment of a system of local option whereby any community might forbid the manufacture and sale of alcoholic beverages but not the importation of such beverages by individuals for home consumption, and the organization of a single company to control the liquor traffic as agent *of the government.*

Setbacks to Soviet Industry

By EDGAR S. FURNISS

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WITH the closing of the critical third year of the Five-Year Program the rulers of the Soviet Union are faced by the necessity of confessing the partial failure of their plans in many basic lines of activity. Serious problems have arisen, both within the domestic economy of the country and in its foreign relations, which tend to weaken the entire structure of policy as laid out for the year just past.

Production figures now available for the first ten months of 1931 show disappointing results. In the basic iron and steel industries the output for the ten months has been less than half the prescribed annual total, and actually below the performance for the corresponding period in 1930 and 1929. Despite recent improvement, the coal industry at the end of 1931 was accomplishing only 85 per cent of its daily program, and for the period as a whole fell 25 per cent short of its prescribed task. The transportation system had not only failed to keep pace with the growing demands upon it but had slumped to a level of performance below comparable periods in 1930. Here, too, the situation improved toward the end of the year, but the railroads still remain so inadequate to their task as to create in the country a chronic transportation crisis.

Other specific branches of industry could be cited in illustration of the partial breakdown of the program. The effect of a serious deficiency in any basic department spreads in widening circles throughout the structure as a whole. Thus the shortage of metal products has retarded the progress of new construction; this together with the breakdown in trans-

portation has reduced factory output; the general shortage of goods has slowed down the grain collections. A general summary of the situation in the industrial, as distinct from the agricultural, branch of the economic system would show that the total accomplishment is not much in advance of that of 1930 and not more than 75 per cent of the requirements of the program.

The situation in agriculture is a special problem. Here, in some respects, the achievements of the year have outstripped the specifications of the control figures. The phenomenal growth of the new types of organization and the rapid introduction of new methods of cultivation have carried the agrarian revolution almost two years ahead of the original predictions. This is undoubtedly an achievement of the highest order and a permanent achievement in that it provides a solid basis for future progress. But in the first flush of success it was taken more or less for granted that these changes in form and method would have immediate results in terms of agricultural output, and that the close of 1931 would find Russia supplied with vast quantities of grain for domestic consumption and for export. Such has not been the case.

For many reasons—adverse weather conditions in addition to others—the total grain crop fell below expectations, and then unforeseen difficulties arose when the government undertook to obtain its share of the crop from the "collectivized" peasants. The law governing the operation of the collectives allows the members to appropriate whatever is necessary to meet their own needs before making their sales to the government. It was suddenly discovered in the Fall of 1931 that the peasantry chose to distribute virtually the entire surplus among themselves on the excuse that it was "needed," in preference to exchanging it for paper money which has little effective purchasing power in the domestic market.

The State farms also have shown disappointing results, and in characteristic Bolshevist fashion the Soviet official in general charge of these enterprises, M. G. Herchikov, has been punished by summary dismissal from office. The best that could be said of the situation by a spokesman for the Kremlin in November was that the amount of grain mobilized by the State this year "will be little, if at all, inferior to last year's." This is certainly a striking change of expectations as compared with the extravagant predictions of last Spring.

For Americans the agrarian situation in Russia is of interest chiefly in its bearing on the world trade in grain and other basic commodities. There is little doubt that the collapse of grain prices in 1931, which reacted so disastrously upon our farm population, was due in large measure to the forecast of virtually inexhaustible supplies from the Soviet Union; nor that the partial recovery of prices in the Fall was caused by the disappearance of this menace. On Nov. 2 the Soviet Ambassador to France, M. Dovgalevsky, was reported to have said in a public interview that the Soviet Union would export no wheat at all either in 1931 or in 1932. This statement was promptly repudiated by the Soviet Government which submitted evidence to show that Russia was actually exporting wheat in regular quantities; but the significant feature of the incident is that the question should have been raised at all and that Russia should have been put to the pains of proving her capacity to export some grain.

We have only to recall how recently the fear of Soviet dumping agitated the governments of two continents and resulted in several international conferences to realize how completely the picture has changed. It is possible that the Soviet Union will equal its 1930 export record of 112,000,000 bushels of wheat, although the mar-

kets in December, 1931, were accepting as fact the rumor that Soviet agencies were canceling their previous future contracts for high quality wheat and were actually buying in large quantities for Russian use from Australia. In any case the spectre of a devastating flood of Soviet grain has vanished completely.

The pivot of the program of industrialization is upon the foreign trade of Russia and, therefore, the statistics of Soviet commerce are of cardinal importance as indicating the trend of affairs. So far as concerns our own country the chief feature of the situation has been the virtual extinction of Russian trade. During the first ten months of 1931 our exports to the Soviet Union declined by 52 per cent, as compared with the previous year, the figures being $49,000,000 and $102,000,000 respectively. The present state of affairs is reflected most strikingly in the figures for October, 1931, which totaled only $208,000—less than one-tenth of the sales the same month in 1930. It is true certain factors peculiar to our own country make it unsafe to argue from these figures that Soviet trade with the world generally is in a similarly precarious condition. Actual embargoes upon certain Russian products and the constant threat of embargo on others place a heavy risk upon the Soviet Government in connection with each new obligation issuing from purchases in our country. What is more important, credit terms in our market are growing more rather than less stringent; the Department of Commerce early in November publicly warned American business men that collections upon Soviet contracts were uncertain and that they should be cautious in extending credit to that country.

The trade which formerly came to the United States is now going to Great Britain, Germany and Italy where favorable credit terms are available. During this same period British exports to Russia totaled $57,000,000, thus exceeding the sales by this country; whereas in 1930 Russian purchases here were three times as large as in Great Britain. Soviet purchases in Germany exceeded $200,000,000 during the first ten months of 1931, an increase of 100 per cent as compared with 1930. There has been similar increase in the Soviet-Italian trade. By exhibiting these figures the Soviet officials can make out a case for their assertion that their foreign trade as a whole has not been undermined, but merely redirected into other channels.

But this is a partial view of the situation. When we analyze the total trade statistics for the first nine months of 1931 and compare them with the corresponding period in 1930, certain elements of weakness become apparent. Exports during this period totaled $300,000,000 and imports $405,000,000, leaving an adverse balance of $105,000,000. As compared with the preceding year Russian exports increased in bulk by 1,000,000 tons but fell in value by $70,000,000; there could be no more pointed illustration of the way in which the world-wide business depression, with its adverse effect upon the market for Russia's chief export products—basic commodities—has been brought to bear upon the welfare of that country. Because of this shrinkage of values, the adverse trade balance for the period under review rose from $40,000,000 in 1930 to $105,000,000 in 1931.

It is a delusion in normal cases of international commerce to lay too great emphasis upon the "favorable" or "unfavorable" nature of the trade balance; but the Soviet Union is not a normal case. She has staked the future of her policy upon her ability to import vast quantities of equipment; she cannot borrow anywhere; she has no foreign investments upon which to realize, and virtually none of the other customary sources of "invisible" exports; accordingly she must rely upon the adequacy of her exports of

goods to maintain the integrity of her policy.

It must be noted, also, that the flourishing Soviet trade with Europe, supported as it is upon a structure of relatively short-term credit, is not an unmixed blessing. The Soviet Government through these trade transactions has become heavily indebted to Germany and Great Britain in addition to her previous indebtedness of some $75,000,000 to American business firms. The indebtedness to Germany alone now totals some $275,000,000 and is increasing rapidly, as is shown by an unfavorable balance of $70,000,000 in Soviet-German trade during the first nine months of 1931. A large portion of this debt falls due in 1932, and unless it can be extended, which is doubtful in view of the financial condition of Great Britain and Germany, it must be covered by a favorable trade balance. To cut down her imports is to confess the necessity of a retreat from her "line of policy"; materially to expand her exports under existing conditions in world markets is tantamount to lowering the standard of living of an already impoverished people; this appears to be the unhappy dilemma confronting the Soviet Union.

Even before the meeting of the Central Executive Committee of the Soviet Union to revise the control figures for the final year of the program, statements of the official Soviet press made it appear certain that both the figures for 1932 and for the second Five-Year Program beginning on Jan. 1, 1933, would represent a scaling down of the headlong pace of the past three years. The Communist leaders were obviously preparing the people to moderate their previous expectations with regard to the rate of progress in 1932. As for the succeeding Five-Year Program, its nature was indicated by Stalin's rather canny statement describing its object to be "the raising of living standards.' If this is an accurate description it means a drastic cut in imports, a postponement of capital construction and a general slowing down of the social revolution in Russia.

Since we have stressed these unfavorable features in the Soviet situation it is only fair to call attention to certain mitigating factors.

In the first place, the present unsatisfactory production figures are, in part, explicable as the effect of unexpected successes in the past. The triumph of the collectivization program in agriculture and the remarkable increase of capital construction during the first two years of the program created an acute shortage of industrial labor and an almost equally serious increase of labor turnover. These two branches of the basic program ran far ahead of the plan, with the inevitable consequence of dislocating the labor supply; and the problem was aggravated by the *prevailing policy of uniform* wages. This is a temporary and remediable condition. In fact, Stalin has already put an end to the uniformity of wage scales, while the government is now making measurable progress in the task of stabilizing the supply of labor.

In the second place, and of greater importance, is the frequently forgotten fact that the original estimates of the Five-Year Program were much below those which are now being used to measure the success of the policy. During the excitement of early success the control figures in all departments of activity were marked up. When the statement is made that the performance of 1931 has fallen short of expectations it must be remembered that this performance nevertheless exceeds the specifications of the original plan. Even at the present rate of progress this original set of estimates will be fulfilled in four years instead of five.

Finally, implied in the preceding statement is the fact that the Five-Year Program has already demonstrated its flexibility, and this is an important element of safety. As the

Communist leaders were able to revise their plans in the direction of more progress, so can they now, if need be, revise them in the reverse direction without political disaster. The slogan, "A Five-Year Program to raise the standard of living," cannot fail to appeal to the overburdened people. That the change of face implied in such a slogan represents a surrender of objectives hitherto held as a test of party loyalty, and the acceptance of a "right-wing" position, for which prominent party leaders have suffered severe punishment in the past, are facts which can be quietly ignored.

The Quest for Moslem Unity

By ALBERT HOWE LYBYER
Professor of History, University of Illinois; Current History Associate

ON Dec. 6 about 100 delegates from various portions of the Mohammedan world met at Jerusalem. The idea of such a congress appears to have come from Haj Amin el Husseini, Mufti of Jerusalem and president of the Moslem Supreme Council of Palestine. Mavlana Shawkat Ali of India approved the idea, and invitations were sent far and wide. Such problems as those of the Caliphate, the Wailing Wall, the establishment of a Moslem University in Jerusalem, and the control of the Hejaz railway were to be discussed.

Early in 1924, the Turkish Government declared the Caliphate abolished, so far as it was concerned, and expelled the incumbent, Abdul Mejid II. This kindly gentleman has since been living in exile, supported in large part by the wealthy Nizam of Hyderabad, whose son lately married the ex-Caliph's daughter. The prospect of the leader of the Mohammedan world taking up residence, under British protection, at the chief holy city of Jews and Christians is of course interesting, but so many objections have been raised by Turks, Wahabis, Egyptians and Zionists that its possibility is widely scouted. The proposal to create a Moslem University at Jerusalem arose apparently from the desire to counterbalance the Hebrew University at Jerusalem, and because certain Moslems thought the Al-Azhar University at Cairo was out of date, and should be supplanted as the central educational institution of Islam. Complete Moslem control of the Hejaz railway from Damascus to Medina is improbable because it would require the agreement and cooperation of the French, British and Wahabi Governments. Dissatisfaction with the extent of Jewish rights recognized at the Wailing Wall alone seems common to those interested in the congress.

Active opposition among Moslems to the congress has been led by Raghebe Bey Nashahibi, Mayor of Jerusalem, for it was said that Haj Amin was seeking only to bolster up his weakened position in local politics. The British Government has remained aloof, and the Turkish Government publicly announced its non-participation. Hejaz, Afghanistan, Albania and Persia took no official part. Apparently the congress was to be a gathering of Mohammedan leaders only from countries associated with Great Britain, which include, it is true, nearly half the Mohammedans of the world.

AFFAIRS IN PALESTINE

Major Gen. Sir Arthur Grenfell Wauchope, newly appointed High Commissioner for Palestine, arrived in Jerusalem on Nov. 20.

Drivers of automobiles and trucks joined in a complete general strike which began in Jerusalem on Nov. 2. They demanded the abolition of license fees from July, 1931, and reduction of the tax on gasoline. The government agreed to postpone the payment of fees another month, and to study that question as well as tax reduction. High food prices and interference with travel caused various groups to put pressure on the drivers, however, and so the strike was ended. Arabs and Jews worked together in this crisis.

The field survey for the Haifa-Bagdad railway, projected in the Sykes-Picot agreement of 1916, and begun in October, 1930, has been completed. Five hundred and forty persons participated in a work covering 685 miles. Not only the topography but also economic conditions and traffic prospects were studied. For the use of the staff, water was often hauled as far as 100 miles in trailer tanks of 400 gallons capacity. The levels ranged from 830 feet below sea-level in the Jordan Valley to 2,900 above in Moab, these extremes being near together. Seven tunnels and ten viaducts are planned for this ascent. A bridge one-third of a mile long will cross the Euphrates near Hit. The plans will be ready in a few months, and construction is expected to require five years.

The water supply of Jerusalem is distinctly inadequate, amounting only to about three gallons a day per capita. A Greek named Mavromatis holds a concession for bringing water from the Yarkon River near Jaffa, at a cost of about $2,000,000, but work has not been begun because he demands 36 cents per cubic meter, while the government offers only 24 cents. The Jordan River might be tapped, but its waters would have to be raised 3,000 feet or more.

CHANGE OF GOVERNMENT IN SYRIA

M. Ponsot, French High Commissioner for Syria, returned from France in the middle of November and surprised the country by promptly dismissing the Damascus President, Skeikh Tajeddin el Husseini, who has been nominal chief in the Syrian State for four years. Parliamentary elections under the Constitution proclaimed in May, 1930, were ordered to be held in January. In preparation for them M. Ponsot himself is carrying on the government, advised by a committee of thirteen, which includes representatives of the principal parties, former heads of the government and the Chief Justice of the Supreme Court. Nationalist leaders have entered a protest because of their desire to have all parts of the French mandate under one government.

TURKEY SETS QUOTAS FOR IMPORTS

A decree of the Turkish Council of Ministers on Nov. 16 established quotas for 1,000 commodities, with the immediate aim of adjusting the balance of trade, and the remoter objects of maintaining the level of Turkish currency and reducing the cost of living. No warning was given in advance, and importers were greatly confused. The quotas will stand until the end of December and will be readjusted every two months. Automobiles may not be imported and many other products from America are held up. It is desired that each foreign country shall buy from Turkey as much as it sells to Turkey. Recently America has bought much more than it has sold. The policy of balancing exports and imports by drastic regulations appears to be an imitation of Russian policy and is similar to the action of Persia earlier in the year. Two days earlier a "crisis tax" of 10 per cent on salaries of all public and private employes had been announced.

Saratshoglu Shukru Bey, formerly Finance Minister of Turkey, came to the United States in November "to study industrial and financial relations in all their phases." Denying

that he came to negotiate a loan, he admitted that assistance from American bankers would be welcome. He looked forward to the employment in Turkey of American engineers to assist in building railways and docks, developing irrigation and manufacturing cotton. A treaty between the United States and Turkey providing for most-favored-nation treatment was signed on Oct. 28 at Ankara.

M. Litvinov, Soviet Foreign Commissar, and Tevfik Rushtu Bey, Turkish Foreign Minister, on Oct. 30 renewed for five years the Turco-Russian treaty of 1929.

Income taxes were increased substantially at the end of November. All persons earning more than $15 a month are to pay 10 per cent or more. Those with annual incomes above $3,600 must pay 25 per cent. No exemptions are permitted for wives, children or dependents.

Chinese Nationalism Flares Up Anew

By RALPH NOREM
Department of Political Science, University of Minnesota

THE situation in Manchuria continued during November to dominate and to color all news emanating from the Far East. (See the article, "The Clash of Arms in Manchuria," on pages 507-512 of this issue.) An outstanding result of the Manchurian crisis has been an awakened sense of national unity in the minds of the 470,000,000 who make up the population of China.

At Shanghai recently 10,000 women representing 300 organizations met to voice the intense resentment of the women of China against Japan. Resolutions were adopted urging domestic peace and national unity and calling upon the women of China to observe strictly the economic boycott of Japanese goods. On Nov. 3 representatives of all Students' Anti-Japanese and National Salvation Associations met at the National Central University in Nanking to organize a national federation. Thousands upon thousands of students have swarmed to Nanking in periodic waves to express their dissatisfaction at diplomatic negotiations with Japan and to urge the government to take drastic action. It was such a wave that forced the resignation of Dr. C. T. Wang as Foreign Minister on Sept. 30. During the critical months which followed, China was without a Foreign Minister. Dr. Sze, Chinese delegate to the League of Nations, was offered the post, but he declined. Nanking still holds out the hope that he may yet occupy the position and has made no other permanent appointment. Meanwhile, foreign relations have been directed temporarily by Frank Lee.

On Nov. 23 Nanking officially announced that Dr. Wellington Koo had been appointed officiating Foreign Minister. Koo, although he is young and brilliant and recognized as a diplomat of the highest order, is particularly distasteful to the Cantonese, who are unlikely to support any one for the position but one of their own number. They have advocated the selection of Eugene Chen, Canton Foreign Minister, or C. C. Wu, who, until recently, was the Chinese Minister to the United States. On Dec. 5 both Dr. Sze and Dr. Koo placed their resignations in the hands of the National Government. Dr. Sze stated that his position was embarrassing because of the demand of overseas Chinese that he cease to

attend the sessions of the League Council and that he institute negotiations for China's withdrawal from the League. Dr. Koo's resignation was the result of pressure from the students, who are opposed to any peaceful method of settlement of the dispute.

The government has assumed a lenient attitude toward leaders formerly in opposition and even in open rebellion against it. On Sept. 30 the Central Political Council rescinded, upon the recommendation of Chang Hsueh-liang, the order for the arrest of General Yen Hsi-shan which had been issued in the Spring of 1930 at the time of his rebellion against the National Government. Later General Yen appointed representatives and dispatched them to the Nanking-Canton "peace conference" which convened in Shanghai late in October. The government has also sought the aid of General Feng Yu-hsiang, who appears still to be sojourning in Fenchow, Shansi. Hu Han-min, the former chairman of the Legislative Yuan, who was imprisoned in his own home under military guard for a period of seven months by order of President Chiang Kai-shek, was released by the government in order that he might take part in the Nanking-Canton peace conference.

The real strength of the rising tide of nationalism is evident in the ever increasing effectiveness of the anti-Japanese boycott. On Sept. 18 the Japanese took Mukden. Two days later a boycott of the Japanese mills in Shanghai was instituted. Since Sept. 22 these mills have been able to report no sales and since Sept. 26 no Chinese merchants have approached the mill owners for a conference of any kind. The closing of the mills threw 60,000 Chinese workers out of employment. They and their families constitute an army of 300,000, which the Chinese people have undertaken to support during the Winter. In October, 1930, Japan exported 46,000,000 square yards of textiles to China, but a year later the amount was only 400,000 square yards. Japanese shipping, likewise, has suffered. Reports indicate that 534 vessels with a total tonnage of 291,000 are idle, while most of the Japanese-owned vessels operating on the Yangtze have suspended service indefinitely. A Japanese bank in Foochow has been forced to close its doors. By the end of November it was practically impossible to purchase Japanese-made goods in Shanghai markets. Local merchants turned to America, Europe and Australia for new purchases. November was the best trading month experienced by Shanghai merchants in two years. With the exception of Japanese mills, all Shanghai industries are working profitably and at full capacity.

It is true that evidences of disintegrating tendencies are not lacking. There has been a reappearance of communism and the Nanking-Canton conference has not been wholly successful. Recently a manifesto appeared calling the "First National Soviet Congress" to assemble in Southeastern Kiangsi; reports indicated that representatives from many parts of China would attend. Although communism is still a problem to be confronted by the National Government, in all probability it is not as strong as it was six months ago.

THE NANKING-CANTON CONFERENCE

The Nanking-Canton conference opened with an informal meeting of the delegates on Oct. 27. The fact that they met at Shanghai, in the territory of the enemy, is evidence of the relative weakness of the Canton faction, which, nevertheless, entered the conference with a more clearly formulated program than Nanking. The chief obstacle to union, according to the Cantonese, is the person of Chiang Kai-shek, who is pictured as a dictator governing China for the enrichment of the Soong family, into which he mar-

ried a few years ago. The Cantonese demanded that the President of China be "a comrade who should be both venerable in age and of established character and reputation. No military man in active service should be eligible for the part." It is very evident that President Chiang, who is only 44 years of age, can hardly be classed as venerable and, as he is also not above taking active command of his forces in the field, he is still a "military man in active service." The Cantonese also demanded that "the post of Commander-in-Chief of the national land, naval and air forces should be abolished and a separate supreme military organ set up in its place." That is, they demand that Chiang not only be removed from his position as head of the republic but also that the very position he holds as commander of all the military forces of the country be abolished. They would strip him of all his power. Unification was to be accomplished by the simple expedient of the publication of two circular telegrams—one by President Chiang announcing his retirement, the other by the Canton "National" Government announcing its dissolution. President Chiang has thus far declined to resign and no resolution has been adopted by the Canton Government announcing its dissolution.

Early in November the conference was confronted with the problem of the forthcoming Fourth National Kuomintang Congress, which had been called by the Central Executive Committee of the Nanking faction of the party to meet in the national capital on Nov. 12. The meeting of the national congress is a matter of great importance in the government of China as it is the highest legislative organ of the Kuomintang. As the Kuomintang controls the government, whoever dominates the party congress is in control of the government. Thus far only three party congresses have been held. The first was held in January, 1924, in Canton under the presidency and guidance of the founder of the party, Dr. Sun Yat-sen. The second was held also in Canton in January, 1926. The third was held in Nanking, after the defeat of the northern forces in March, 1929. The present congress was called to meet in Nanking under the shadow of the Manchurian crisis and with the Nanking and Canton factions still unreconciled.

Perhaps the most important duty to come before any national congress of the party is the election of two committees to act for it while it is not in session—the central executive committee and the central supervisory committee. These committees derive their names from the congress by which they are elected. Thus, the first central executive and supervisory committees were elected by the first congress, the second committees by the second congress, and so on. In the fourth congress the election of the two committees was recognized to be of special importance. The personnel was worked out by the Shanghai conference during the first week of November; for submission to each congress, two lists were prepared, identical except in that the Canton list contained 104 names, while the Nanking list contained 102 names.

FALL OF THE JAPANESE CABINET

The Wakatsuki Cabinet resigned on Dec. 11, apparently because of a realignment of parties, which left Premier Wakatsuki without sufficient support. But behind the change are the financial and industrial interests who have been antagonized by the strict financial views of Finance Minister Inouye. The fall of the Cabinet was followed by Japan's going off the gold standard on Dec. 13. The Wakatsuki Ministry has attempted to restrain the military elements in Manchuria, and it was believed that the fall of the Cabinet would strengthen the hand of the Japanese militarists.

The Clash of Arms in Manchuria

Continued from Page 512

On that day the Council released for publication the resolution which it considered would be unanimously adopted. The new resolution reaffirmed the one passed on Sept. 30. It asked the two parties to continue to keep it informed of developments and requested other members of the Council to furnish it with "any information from their representatives on the spot." With a view "to contribute toward a final and fundamental solution," the Council decided to appoint a commission of five members "to study on the spot and to report to the Council on any circumstance which, affecting international relations, threatens to disturb peace between China and Japan. The governments of China and Japan each will have the right to nominate one assessor to assist the commission." If the two parties should start direct negotiations, they would be outside the commission's competence, as also would the military arrangements of either party. In conclusion, the resolution invited its president to follow up the question and, if necessary, to resubmit it before the next ordinary meeting of the Council, on Jan. 25, 1932.

M. Briand's declaration with respect to the resolution was stronger than had been expected. He stated that the commission would have "full discretion to determine the questions upon which it is to report to the Council. * * * " Moreover, if Japanese troops had not evacuated when it arrives, it "should, as speedily as possible, report to the Council on the situation." Reports from Tokyo on the day that the resolution was made public stated that the Japanese Government had accepted it. On Dec. 10 the resolution was unanimously adopted, following which the Council adjourned, though remaining "charged with the matter."

No fair estimate of the measures taken by the League Council to settle the crisis can be made at this time. It can scarcely be said that it has succeeded in securely tying the hands of the Japanese militarists. The possibility of a renewal of armed hostilities is not remote, as long as Chinchow remains in the hands of Marshal Chang Hsueh-liang. However, if the commission of inquiry which the Council is to appoint can bring pressure to bear on the disputants to settle some of the fundamental issues involved on a basis of economic equity; or if it can assist in the setting up of a board of arbitration to settle recurring minor issues as they arise in the future, a long step toward preventing the otherwise inevitable recurrence of another crisis will have been taken.

Regardless of what the League is able to achieve, China has in the economic boycott an amazingly effective weapon, as past events have proved. Reports indicate that the present boycott may be fully as effective, economically speaking, as any previous one. By its use the National Government of China may eventually be able to eliminate the political and militaristic aspects of Japan's position in Manchuria, reducing that position primarily to an economic basis. Only in that eventuality would it be possible to maintain harmonious relations between the two peoples, resulting in the cooperative development of the economic resources of Manchuria. In Japan there is a growing liberalism which gains support from business interests which have suffered severe losses as a result of Chinese boycotts. There is hope that these liberal forces may in the future effectively reduce the militarists to the control of the civil branch of the government and make permament the adoption of a conciliatory China policy. If this does not occur, the possibility of a major war in the Far East has been dangerously enhanced by the crisis.

TO AND FROM OUR READERS

[Anonymous communications will be disregarded, but the names of correspondents will be withheld from publication upon request. The Editor assumes no responsibility for unsolicited manuscripts unless accompanied by return postage.]

SPECIAL ISSUE ON CHINA

To the Editor of Current History:

Just before I left for China in 1927, your June, 1927, issue—the special number on China from so many angles—was published. I obtained a copy and read it with great interest. Now, after over four years residence in the Orient, during which time I studied the language, traveled through the interior and generally interested myself in Chinese conditions, I am back in America. Today I have been carefully re-reading that June, 1927, issue, and now I can fully appreciate the accuracy and general excellence of the various articles that appeared in it.

C. J. KANAGA,
1st Lieut., 9th F. A.

Fort Lewis, Wash.

* * *

THE SOUTH IN TRANSITION

To the Editor of Current History:

Mr. Winston's article, "The South in Transition," seems to me to be a good example of its own case against the Southerners and represents an attitude which should be challenged lest, as Mr. Winston himself says, "sycophancy might again stir the embers of hate." Such statements as "Northern prejudice does not hurt the pocketbook, while Southern prejudice does," and "Virginia needs more people of broad and cosmopolitan outlook on life. Such settlers might come from the North," are not constructive and kind, but are rather thrusts at Southern statesmen and Southern ideals. Criticism of this nature is not likely to help matters.

HERMAN W. WOOTEN.

New Orleans, La.

* * *

PRESIDENT HARDING: A REAPPRAISAL

To the Editor of Current History:

The writer of the article, "President Harding: A Reappraisal," in October CURRENT HISTORY, gives a succinct and lucid summary of a number of the major events of Harding's Administration, but apparently made little if any attempt at critical evaluation of the facts—and even less endeavor to go below the surface and seek for explanations. All facts in the same category seem to be accorded equal weight. For example, we are told that Harding appointed a Cabinet of ten men, and since only two of them have been proved to be unconscionable scoundrels and another one resigned for the good of the service, it is assumed that the President scored a really creditable average—seventy per cent. It would be charitable to wish that Harding's memory might be glorified for the grand achievements of those Cabinet members whose services were of conspicuous value to the country. But is it certain that he had any more to do with the activities of those who were most remote from him in temperament than with those who were his intimate daily associates and life-long cronies? Similar inquiries might be made with respect to any other achievements of the Harding Administration. Perhaps some time we may read in CURRENT HISTORY, before Harding's place in history is irrevocably "fixed," a re-appraisal which will be the result of close research not only of official records, but also of some of the other sources which modern historians find essential to an understanding of official acts and attitudes.

H. H. SWAIN.

Helena, Mont.

* * *

THE DECLINE OF ORGANIZED LABOR IN AMERICA

To the Editor of Current History:

V. F. Calverton, in his article, "The Decline of Organized Labor in America," in November CURRENT HISTORY, states that "the American Federation of Labor, in contrast with European labor organizations, has been individualistic in character. It has stressed the importance of the individual rather than the importance of the class to which the individual belongs. It has been more interested in elevating groups of individuals within that class than in the class as a whole." In other words, the American labor movement has been and still is American in character. It does not aspire to be a revolutionary party or but a segment of the tail of a revolutionary party, as is the case in Great Britain. It insists upon remaining a labor organization.

Mr. Calverton cannot understand why the American laborer will strive with his fellows for such inconsequential things as increase of salary, shorter working hours, better working conditions, when the same efforts and dues may go toward underwriting a particular economic and

social revolution envisaged by hopeful radicals. Mr. Calverton is quite wrong when he says that American labor will soon form along "mass or class lines, similar to those found today in Germany and Great Britain." If our labor unions at any time in the future exhibit such a tendency, then will be seen a real decline in membership, or possibly the end of any organization which dares to adopt such an anti-American policy.

Organized labor—the American Federation of Labor—may have experienced a dropping off in membership through a falling away of allied labor organizations, but it cannot be denied that it is stronger in influence than it has ever been. It has a mass of accomplishment to its credit and hopes to accomplish more in the future, even though those like Mr. Calverton (who is not a member of the great body of labor) see it only as a declining and dying body.

S. SALOMAN.

Washington, D. C.

* * *

BUSINESS DEPRESSIONS SINCE THE CIVIL WAR

To the Editor of Current History:

The article in October CURRENT HISTORY, "Business Depressions Since the Civil War," by Wilford J. Eiteman, is a discursive, factual narration concerning business depressions in the last seventy years. It refers to some popularly ascribed causes of these periods of crisis and states without comment that the five depressions have been fundamentally alike. With no intention of offering mere carping criticism, I am impelled to state that neither the similarities nor the differences in the depressions are clearly arrayed for the reader's perception, nor are the prime causes of subnormal business identified as operating in an inevitable sequence within any period, nor from period to period of the business cycle.

F. E. WOLFE.

Cincinnati, Ohio.

* * *

OUR TARIFF AND THE DEPRESSION

To the Editor of Current History:

As one reads Senator Smoot's comprehensive and scholarly article on "Our Tariff and the Depression," in November CURRENT HISTORY, certain questions arise, even to a Republican. Is it true, as the Senator asserts, that "foreign trade is relatively a less significant factor in our economic life than it was before the days of quantity production"? Does not this depression emphasize more than ever our increasing dependence upon foreign markets? Has not the Smoot-Hawley tariff sown the seeds of tariff retaliation in other countries and also hindered settlements, which of necessity must be in goods, of our international trade, not to mention our billions of foreign investments, public and private? Are we not living in a new era when the world should be considered an economic unit, and one, therefore, in which tariff proponents, truly, have fewer arguments?

ELLIS HUNTINGTON DANA.

Northeast Harbor, Me.

* * *

To the Editor of Current History:

I should like to question some of the conclusions reached by Senator Smoot in his article, "Our Tariff and the Depression," in November CURRENT HISTORY. In the first place, one gathers the impression that no matter what the tariff is, trade is unaffected by it. But has not the Senator proved too much in his attempt to clear the tariff he helped to write? If it has no effect on trade, why have it at all? Either the much-touted protective tariff does not protect, or Senator Smoot and his fellow protectionists have been singularly derelict in their duty in failing to make the rates high enough to keep out goods which American workers could make. In the second place, after making the statement that more goods can easily be turned out than the consuming public can buy, the Senator says: "The theory that goods should be purchased where they can be most cheaply produced has undergone an ignominious collapse." A few paragraphs later he feels that "no other nation is so well adapted to a protective policy as the United States." This raises the question as to why the United States is so well fitted to the protective system if it is not because more different kinds of goods can be produced more cheaply here than elsewhere. Thirdly, if imports and exports do continue approximately the same after the enactment of tariffs, does that necessarily prove that tariffs have no harmful effects? It can easily be that the habits of the American buyers are such that they will continue to take foreign goods in about the same quantities after as before a tariff, but they will have less to buy other things with. That may be the explanation of the Senator's statement that "the volume of our foreign purchases has fallen off less than either exports or domestic production."

JOHN E. STONER.

Fort Wayne, Ind.

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CURRENT HISTORY

FEBRUARY 1932

The Struggle for Disarmament

By LINDSAY ROGERS
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THE first World Disarmament Conference assembles in Geneva on Feb. 2. Few believe that it is surely headed toward success. Pessimism is general. During the League Assembly last September it was clear that several States were anxious to postpone the meeting until the political atmosphere became more favorable. Approaching elections in France, Prussia and the United States; preoccupation with reparations and frozen credits; Franco-German relations, which are responsible for a considerable part of the trouble which Europe is experiencing; the irreconcilable points of view of the "status quo" powers and those desiring a revision of the peace treaties—these are the reasons why postponement was discussed. But no State dared to take the initiative. Now that the League of Nations has demonstrated its inability, or at least unwillingness, to deal effectively with the Manchurian situation, there is less confidence in the League's ability to prevent a disturbance of the peace of Europe. There is thus an increased unwillingness to give up the protection of unlimited armaments.

But, though the conference will be held in an atmosphere of pessimism, the peoples of the world demand relief from the ever more crushing burden of armaments. To what extent will the statesmen who did not dare postpone the conference be willing to test their peoples' earnestness by far-reaching agreements? While the peoples want reduction, the statesmen are reluctant to reduce because of what they conceive to be the unwillingness of their peoples. Here is the great paradox. Every one preaches disarmament—but disarmament by others. Yet to postpone the conference would make too striking a concession to the prevailing pessimism, and, since statesmen are always opportunistic, they hope against hope that their pessimism will prove to be unjustified.

Nevertheless, certain facts are highly encouraging. I have called the meeting the *first* World Disarmament Conference. The word is important, for if

the results should be nil—even if cleavages should become more marked —there will be future disarmament conferences. If, on the other hand, there should be successes beyond the expectations of even the most optimistic, future conferences will be held to consolidate those successes and to attempt even greater ones. The movement for disarmament has barely begun.

That all the States of the world will send plenipotentiaries to discuss methods of limitation is in itself of immense significance. There will be no delegate who will dare to say publicly that he hopes the conference will fail or that his government is unwilling to consider any form of limitation. Some may say that the organization of peace is so incomplete and so meager that certain armaments are necessary. None will deny, however, his willingness to reduce when the peace is better organized and security more effectively assured. That is a tremendous advance.

It is true that during the thirteen years which have elapsed since the armistice the nations of the world have often seemed to move toward disarmament as the pilgrims of the Middle Ages journeyed toward Compostella—by taking two steps forward and one to the rear. Despite this means of locomotion, as much distance has been traveled in the last ten years as had been traveled in the previous centuries. Only a dreamer could have anticipated in 1914 that by 1931 all the nations of the world would be pledged to disarmament and would be dealing with the problem, not by framing pious wishes but by drawing up definite plans, preparing technical studies and organizing the peace so that armed force will be less necessary. The pledges to do this were given at the Paris Peace Conference.

The fourth of President Wilson's fourteen points read as follows: "Adequate guarantees given and taken that national armaments will be reduced to the lowest point consistent with domestic safety." The Anglo-Saxon nations were convinced that militarism had been one of the prime causes of the war, and, since the war was one to end war, limitation of armaments must necessarily follow. The Latin nations were more skeptical. They nevertheless agreed to Article VIII of the League covenant. This is the magna charta of disarmament. It reads, in part, as follows:

> The members of the League recognize that the maintenance of peace requires the reduction of national armaments to the lowest point consistent with national safety and the enforcement by common action of international obligations.
>
> The Council, taking account of the geographical situation and circumstances of each State, shall formulate plans for such reduction for the consideration and action of the several governments.
>
> Such plans shall be subject to reconsideration and revision at least every ten years.
>
> After these plans shall have been adopted by the several governments the limits of armaments therein fixed shall not be exceeded without the concurrence of the Council.

The covenant goes on to record the opinion of the members of the League that the evil effects attendant upon the private manufacture of munitions and implements of war should be prevented. A pledge is given that information on armaments will be fully and frankly interchanged and Article IX of the covenant contemplates the establishment of a permanent commission to advise the League Council on military and naval questions.

Disarmament is dealt with also in Part V of the Treaty of Versailles, which contains the military, naval and air clauses fixing the limits of Germany's war establishment. The preamble of this part of the treaty reads as follows: "In order to render possible the initiation of a general limitation of the armaments of all nations Germany undertakes strictly to observe the military, naval and air clauses which follow." There has been some difference of opinion as to the

juridical nature of the obligation which the covenant, Part V of the Treaty of Versailles and similar provisions in the other peace treaties impose on the allied and associated powers. The French memorandum on disarmament which was published last July emphasizes the "common action" and the "national safety," which are contemplated by Article VIII of the League covenant, and argues that there need be no disarmament until these conditions are met. The memorandum also argues that there is no obligation on the victorious States to reduce their armaments to the figures fixed by the treaties for the defeated powers. These levels were made low so that the victorious States might not again be threatened and might be in a position to reduce their establishments when "common action" was assured and "national safety" was guaranteed.

Germany, naturally, takes the other view of the matter. Her argument is that the victorious States are legally bound to reduce their armaments; that the treaty did not contemplate a permanent disparity between German forces and the forces which the victorious or succession States might have. But even if the juridical point is not clear, the political and moral aspects of the problem are obvious. There is no likelihood that France and her allies will agree to modify the clauses of the peace treaty which stipulate the size of Germany's military establishment. There is even less likelihood of an agreement for such drastic reductions that the disparity will be materially altered. Will Germany accept this situation?

Even though the United States is not a signatory of the Treaty of Versailles it has accepted the same treaty obligations as the European States. The separate treaty of peace between Germany and the United States, signed on Aug. 25, 1921, reserves for the United States all "the rights and advantages stipulated in the provisions of" certain sections of the Treaty of Versailles. Among these sections Part V is expressly enumerated. Juridically it may be true that the United States can reserve to itself the advantages arising out of the disarmament clause of Part V without accepting the obligation in the preamble. Here again, even though the juridical point is not clear, the moral obligation is plain.

The provision which I have quoted from the separate treaty of peace with Germany is rarely commented on. It is frequently said that, with a considerable measure of naval limitation already achieved, the United States has only a remote interest in the conference that is meeting at Geneva. True it is that, not being engaged in an armament race with any neighbors and with a small army, the United States is less concerned than European powers with non-naval problems. But the cost of American military and air forces is high. As President Hoover has made clear, reduction is desirable on grounds of economy.

The United States, therefore, has a direct financial interest in the success of the deliberations at Geneva. It has an indirect interest in that any reduction of Europe's armament bills will increase Europe's purchasing power. It has an interest in that the success of the conference will make for European appeasement and more effective safeguards against the use of force. But the fact should not be forgotten that, apart from these considerations, the United States has a moral obligation which arises under the separate treaty of peace with Germany. It has recognized the obligation in the field of naval armament.

Immediately after the war disarmament was considered as largely a technical problem. Later its political aspects were deemed to be more important and the attack became indirect. So long as war is possible, the reasoning ran, armaments are necessary. War will be possible until means of

pacific settlement are provided and guarantees are given that the pacific means will be used. When war is impossible armaments will not be necessary and reduction can take place. This argument dominated discussions of the problem for several years. In the conference about to meet the attack will again be direct, but the problem of security will always be in the background and views will differ as to whether it has been adequately solved.

At its session on May 19, 1920, the Council of the League took steps to implement the disarmament provisions of the covenant. It set up the Permanent Advisory Commission envisaged by Article IX, but the personnel was recruited very largely from technical experts. The achievements of this commission were nil. As has been said, it was as vain to hope for limitation proposals from representatives of general staffs as it would have been to expect an assembly of clergymen to propose effective means of combating religion. The futility was early apparent and the 1920 Assembly of the League of Nations instructed the Council to set up a new commission composed of persons possessing competence in political, social and economic matters. In accordance with this resolution, the Council on Feb. 25, 1921, created the Temporary Mixed Commission, which functioned until the end of 1924.

Meanwhile, at Washington during the Winter of 1921-22 a real step was taken in the direction of limitation. Great Britain and the United States agreed to parity in capital ships. Japan accepted limitation and France and Italy agreed to capital ship parity at a lower level. The Washington conference ended naval rivalry in battleships between Great Britain and the United States. But the price of Mr. Hughes's success in the matter of capital ships was complete lack of success in other categories. The conference, moreover, laid up troubles for the future by giving Italy parity with France, and the methods of the conference, while successful at the time, had ill effects. These methods made France suspicious of future conferences and antagonistic to *coups de théâtre* in diplomacy.

So spectacular was the result in regard to battleships that attention was distracted from the genuine political achievements of the conference. Indeed, it may be said that without these political achievements battleship limitation would have been impossible. The Anglo-Japanese alliance was abandoned. It was covered by the winding shroud of the Nine Power Pacific Treaty, which, signed by the States with interests in the Pacific, pledged them to "respect the sovereignty, the independence and the territorial and administrative integrity of China." The second political result of the Washington conference was the Four-Power Treaty between the United States, Great Britain, France and Japan, who agreed "as between themselves to respect their rights in relation to their insular possessions and insular dominions in the region of the Pacific." Both treaties provided for frank communication between the contracting parties in case violations were threatened. In the Pacific area, therefore, the United States has entered into consultative pacts and pledges for the consideration of joint action. Without these political agreements the Washington treaties on battleship limitation would hardly have been possible.

The next step in Europe was a scheme proposed by Lord Esher that continental armies be gradually reduced by applying ratios somewhat on the Washington model. In the absence of prior political agreement the proposal had no chance of acceptance. Moreover, the technical difficulties were great. Continental countries were unwilling to consider armies by themselves and insisted on dealing with them in connection with war material and aircraft. It clearly appeared that the mathematical attack of the Washington conference would be

fruitless against land armaments. What also emerged clearly was a conviction that the problem of security must be dealt with first—that, in other words, the approach to limitation must be indirect.

Lord Cecil's Draft Treaty of Mutual Assistance was the next proposal. That scheme, in a word, provided that in the event of war an attacked State would receive assistance from all other nations signatory to the treaty. With security provided for, States would be willing to disarm. The scheme was highly satisfactory to France and her allies, who have always wanted an international force under the control of the League of Nations. Other States, however, were lukewarm. Great Britain, in part because of an innate unwillingness to undertake a blanket continental commitment and in part because of the hostility of the Dominions, interposed a veto. But the attack on the armament problem continued to be made indirectly. At the League Assembly of the following year the Geneva Protocol emerged. This marked a great advance because of the importance that it attached to arbitration. It provided for the peaceful settlement of all international disputes. Any State not resorting to arbitration would be an aggressor. The other States would unite against it. War would thus be outlawed, security would be created and disarmament would be possible. The logical structure seemed complete—but again British opposition forced the rejection of the proposal.

The Locarno treaties followed. Here Great Britain was willing to accept obligations because they would be limited. The idea of the protocol was thus carried out locally rather than generally. Great Britain, Italy and Belgium promised France and Germany protection against unprovoked aggression by the other. That was a guarantee of the Franco-German frontier, and while a similar guarantee was not possible in regard to Germany's eastern boundaries, important arbitration treaties concluded between Germany, Poland and Czechoslovakia went far toward "organizing" the peace in that section of Europe.

Largely through the insistence of the United States, which did not wish to work through the League of Nations and which remained aloof from these political advances, the naval problem continued to be attacked directly. Attempts were made to fill the gaps in the Washington treaties and to extend limitation to categories other than capital ships. In 1927 there was the abortive Three Power conference in Geneva. Relations between the United States and Great Britain were considerably embittered, and the United States was confronted by the necessity of spending huge sums if it was to have parity with Great Britain in cruisers and auxiliary craft. Again politics came to the aid of the direct method. The Briand-Kellogg treaty for the renunciation of war as an instrument of national policy, which was concluded in 1928, provided no sanctions, but morally its importance was considerable. With the United States and Great Britain both pledged not to make war on each other, there seemed to be no reason why an agreement on all naval categories should continue to be impossible.

There followed the London naval conference of 1930. A complete agreement between France and Italy was not reached—partly because of the maladroitness of Mr. Hughes at the Washington conference and partly because of insufficient political preparation for the London meeting. Separate negotiations between France and Italy followed the London conference, and if the issues in dispute have not been settled, they have at least become less acute. Finally, at the League Assembly of 1931 Signor Grandi, the Italian Foreign Minister, proposed a year's armaments truce. It was accepted and for one year there will be no increase in the naval and military programs already announced. If the

forthcoming Geneva conference is forced to confess failure, it can at least propose a prolongation of this armaments truce. This would mean two steps forward without one to the rear.

The disarmament conference will work on the basis of a draft preparatory convention which has been five years in the making. It is a document of sixty articles which cover all phases of armaments. But the coverage is in blank. The convention, that is to say, sets forth the principles which shall govern limitation, but the figures are to be filled in by the conference itself. The delegates of the thirty-two governments which were represented on the Preparatory Commission—the body which took the place of the Temporary Mixed Commission in 1926—sought to do no more than prepare a skeleton agreement for the limitation and reduction of naval, land and air forces. Despite the time and care spent in its preparation, this draft treaty bristles with unsolved problems. The different countries are already on record with more than fifty reservations.

Some of the difficulties are technical. How is it possible to compare the numbers of a professional standing army with the numbers in a conscript army which is continuously changing and giving more and more trained reserves to the country? The size of a standing army can be limited, but the numbers of trained reserves cannot be limited. The French maintain that trained reserves should be excluded from consideration. At first, Great Britain, the United States and Germany refused to consent to this, but the British and American objections were later withdrawn and the draft treaty accepts the French point of view with a few reservations, the most important of which is that by Germany.

Limitation of material raised similarly difficult questions. The naval problem is relatively simple, but concerning land armaments—and especially aircraft—who can say what material has exclusively peacetime uses? Germany nevertheless maintained that direct limitation was possible and was supported by a number of States, including the United States, the Netherlands, Finland and Sweden. France and her allies were strongly in favor of indirect, that is budgetary, limitation, which is also urged on the ground that it is the only effective means of preventing nations from concealing their munition stocks. The present American attitude apparently is that direct limitation can be used for the United States if real budgetary limitation is agreed to by other countries and the convention provides that "the annual expenditure of each high contracting party on the upkeep, purchase and manufacture of war material and armaments shall be limited to the figure laid down for such party and in accordance with the conditions prescribed in" this convention.

With the exception of Germany's intransigent attitude, already referred to, the hostility of the United States to budgetary limitation is the most important opposition to the draft convention which has been manifested. The reasons for American opposition have never been made entirely clear. There has been some talk about constitutional difficulties standing in the way; the power of Congress to appropriate for the army could not be constitutionally limited by treaty. Such an argument is nonsense, for the Washington and London treaties prescribe the number of units for which Congress may appropriate. A treaty prescription of amounts of money would raise no new question. The United States is on record also as believing that only direct limitation will be effective. Something may be said for this point of view, but the fact is that only through the method of budgetary limitation can the Disarmament Conference achieve any positive results. The veto of the United States on the method would therefore be a veto on the success of the conference. Again it has been said that American

soldiers and sailors have high rates of pay and that the large expenditures for armaments by the American Government are not a fair index of the extent of our military and naval preparation. Such a difficulty, however, can be overcome by elaborate statistical devices which will take into account differences in the price level, rates of pay and so on. Moreover, the most promising use of the budgetary method seems likely to be a national rather than an international use. States signatory of the convention can pledge themselves to reduce their own expenditures by varying percentages. Such a percentage method could be applied to Congressional appropriations without the United States' suffering by reason of price differentials.

One possible ground for American hostility to the budgetary method—a ground which has not been much discussed—is the necessity of greatly increased expenditures if this country is to build up to the levels of the London naval treaties. If such building takes place, appropriations will have to be increased rather than reduced. There is no reason, however, why the Disarmament Conference could not make special provision for this matter. Hence if the point is under consideration by the American Government, it had better be frankly discussed.

Air armaments raise difficulties of their own. It is well-nigh impossible to draw a clear line between airplanes or materials which can be used for civil aviation and which cannot be speedily adapted for military purposes. Budgetary limitation was proposed by Great Britain for air material but was rejected. As the provisions of the draft convention stand, they hardly tackle the problem. By these provisions, governments cannot prescribe military features for civil aircraft; they cannot subsidize lines "principally established" for military purposes, and tables are set up for the figures of armed forces which may be limited as to number and total horsepower. There is but scant hope for genuine success in reducing this category of armaments—not so much because of lack of sincerity as because of the technical difficulties in the way.

Other articles of the Draft Preparatory Convention relate to the exchange of information. Much information is now exchanged under Article VIII of the League covenant. The draft convention contains no undertaking to interchange information on the stocks of war material, but model tables attached to the treaty give the form in which data are to be furnished on personnel and expenditures. It would not be true to say that the publicity will be adequate, but it will certainly be far greater than any one a few years ago would have thought possible.

A permanent disarmament commission is to be set up in order to supervise the execution of any convention that is agreed to. This body has potentialities of the highest importance. When one considers the past attitude of States toward their armaments he must conclude that the mere acceptance of the principle that certain figures are not to be exceeded—even though the figures are not reduced—and an agreement to accept supervision by a commission would mark a great step forward. But the steps will not be great enough unless armaments are really reduced. The principal obstacle will be a feeling of insecurity on the part of the European States which have the largest armies. They like the present territorial settlement of Europe, and wish to keep their armies in order to safeguard the status quo.

France's official attitude toward the Disarmament Conference was stated at length in the memorandum which was issued last July. As has already been said, the memorandum argues that disarmament need not be undertaken until "national safety" is assured. That point of view was reiterated by M. Briand in his speech at the League Assembly last September. He

plainly hinted that unless some multilateral treaty, like the Geneva Protocol, is entered into, and France is promised military support against any aggressor State, disarmament cannot take place.

One may admit that the French are logical when they maintain that security must precede disarmament. The question is, however, whether sufficient security has not already been achieved. There are the League of Nations covenant, the Kellogg-Briand pact, with its renunciation of war as an instrument of national policy, the Locarno treaties which guarantee France the kind of security she specifies in respect to her German frontiers, the general act, and a complete structure for arbitration. The only thing missing is a pledge to rush to the support of France if trouble comes between Germany and her Eastern neighbors allied with France. It should be remembered also that France need not fear Germany even if no steps had been taken toward the organization of peace. Germany's army is 100,000 men. Her navy is negligible. Military aircraft is forbidden under the treaty. Her former allies are similarly disarmed. France and her allies can put in the field nearly 2,000,000 men. The defeated powers could hardly muster one-tenth of that number. In this disparity is there not a large measure of security? A 25 per cent reduction, say, even without reductions by Germany, would not so reduce the disparity that insecurity would follow.

The French "logic," moreover, fails to take account of the fact that security is increased by disarmament. So long as France holds its army to be necessary for security, other States are doomed to insecurity; for the security of one State in a military sense must mean the insecurity of others. If one State (France) has a legitimate claim to security, other States (Germany) have claims which are equally valid. Security may be looked for in guarantees and in treaties, but if these provide special security for one State, then other States are insecure. France has many promises now. They do not, she argues, give her security. If the promises are kept, France has security; but she wants more promises. As the promises are multiplied there may be a diplomatic race for security as there has been an armament race, and the diplomatic race may be no more effective than the armament race in providing assurance against attack.

As expressed by former Premier Edouard Herriot, the French formula was "Arbitration, Security, Disarmament." The arbitration structure is now complete. But France says that security has not yet been achieved, and that therefore disarmament must wait. Would it not be more logical to put the formula this way: "Arbitration, Disarmament and Security"? The plain fact is that no greater support could be given to the feeling of security than through an agreement for a progressive limitation of armaments. France and her allies, with their present tremendous advantage over Germany and the dissatisfied European States, could safely lead the way.

Enough has been said to show that the Disarmament Conference has not an easy task. The lack of optimism as to its success is understandable. Yet perhaps the conference is meeting at a propitious time. Perhaps the world-wide depression, which shows no signs of becoming less serious, will convince governments and peoples that they must reduce the annual armaments bill of $4,500,000,000 and devote the savings to more productive services. Perhaps it is a good thing that reparations, interallied debts and frozen commercial credits will be under discussion at the same time. Perhaps economic distress will be the weight in the scales which will make the balance move in the direction of lowered costs for preparing for the wars which every State has promised will not be made. Perhaps while the financial delegates of Germany are in

conference elsewhere, the German armament delegates in Geneva will not insist as vehemently as they did in sessions of the preparatory commission that the present situation is intolerable and cannot be permitted to continue.

This issue shows that the French have no monopoly of "logic." To Germany the disarmament clauses of the Treaty of Versailles are a punishment. To the victors the clauses are a guarantee that they cannot be successfully attacked. The state of Europe will not improve so long as these opposed points of view remain unmodified. Disarmament can come only if the efforts to achieve it are combined and if the principle of give-and-take is acted upon.

Yet, as I have said, the mere fact that the conference is meeting is encouraging. The publicity now given military forces and expenditures would have seemed incredible a decade ago. A permanent commission to supervise the execution of a treaty—no matter how imperfect the treaty may be—is a principle of the highest importance. Nor should one overlook the fact that out of a meeting of representatives of all the States of the world there may come highly significant by-products. The newspapers are already discussing a broader version of the Locarno pact which would be unobjectionable to Germany and which would satisfy France. It may be possible at a conference called to discuss armaments to go far toward "filling the gaps" in the League covenant and reconciling it with the Briand-Kellogg pact. There may be some spectacular linking of intergovernmental payments and armaments expenditures.

In short, while the prospects of success seem meager, the outlook is not hopeless. It may be true that it would be "worse not to hold the conference than to hold it" but if the conference should unhappily be a complete failure, preparations will begin for a new one. Twenty years ago only halting steps had been taken toward international arbitration. Now the edifice of judicial settlement is almost complete. Is it too much to hope that within twenty years there may be a similar success in regard to armaments?

The French Return To Prosperity And Power

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THE financial recovery of France has been astonishing to the American observer. Though nearly bankrupt in 1926, five years later she owns one-sixth of the world's gold. No less astonishing is her present political prestige which so recently culminated in President Hoover's recognition of France's commanding position in Europe in the official statement published at the conclusion of Premier Laval's visit last October. Contrast this with the humiliation France suffered at the Naval Conference in 1922. The French themselves are astonished at this vitality. Some undoubtedly would feel inclined at this juncture to speak of a miracle.

France emerged victorious from the war, but terribly weakened financially and economically. Approximately $4,000,000,000 had been borrowed at home. Financial aid was asked also from abroad, especially from Great Britain and the United States, to the extent of about $1,400,000,000. The whole war process reversed the nation's status. In 1914 her net credits abroad amounted to $9,000,000,000. She emerged from the war a debtor nation. Besides the borrowings from Great Britain and the United States her position was rendered still worse by vast outright losses of about $4,000,000,000 invested in Russia, Turkey, Austria-Hungary and the Balkan States.

Furthermore, the nation's economic life was disrupted. Ten departments in the northern and eastern sections of France had been for four years either devastated by warfare or occupied by the Germans. In those departments, among the wealthiest industrially and agriculturally, what had not been destroyed by actual fighting was systematically destroyed when the Germans withdrew. Again, add the loss of 1,500,000 Frenchmen killed in the war—one out of twenty-seven inhabitants, an even higher percentage than in Germany—and the hundreds of thousands who were disabled. The loss was even more terrible than the figures indicate, because males between 15 and 50 years of age, the backbone of industry and agriculture, were almost exclusively affected, the loss being over 11 per cent. All this explains why in 1919 agricultural production was 70 per cent and industrial and mineral output 60 per cent of average pre-war figures.

Immediately after the war the government undertook an enormous task of economic reconstruction. Instead of taxing the French people to raise the money needed—about $4,000,000,000 has been spent by now in the devastated territories alone—the government resorted to loans. At that time the belief prevailed that Germany would pay and that the borrowings were thus merely advances. Besides, the country was too impoverished for heavy taxation. Both industry and agriculture had to be reconstructed before they could again be profitable. When loans and taxes combined proved inadequate to meet expenses, the government fell back on issues of paper money. The bank-note circulation, which was 5,900,000,000 francs in 1914, amounted to 30,000,-

000,000 francs at the end of 1918 and to 51,000,000,000 francs at the end of 1925. This inflation led in 1925 to a *crise de confiance* which was aggravated by foreign speculation and the unsound financial policies of the Left majority which took over the government in 1924. French capital was exported in large amounts and the franc began its vertiginous decline of 1926, reaching its lowest mark of 49 to the dollar on July 23, 1926. That day the Poincaré coalition Cabinet was organized, and shortly after imposed on the hostile Left majority in the Chamber of Deputies a constructive plan for balancing the budget with the result that in December, 1926, the franc had risen to 25.50 to the dollar. At the end of 1929 the Treasury had a surplus of over 10,000,000,000 francs.

Meanwhile, French industries were reconstructed so quickly and so successfully that some economists referred to the process as an industrial revolution. While the acquisition of the Lorraine iron field gave some impetus to the French steel industry it did much more for the export of French iron ore. Moreover, the German occupation of the most highly industrialized departments led to the creation of industries in new regions of France. At the same time the somewhat antiquated industrial plants and mines of the north were replaced by up-to-date organizations equipped with efficient machinery, and their handsome profits worked as an incentive to French manufacturers in other parts of the country to rationalize their plants. The inflation period led also to an increase of exports and to a boom in the French exporting industries. Yet, in spite of these changes, the population is still, even if by a very small margin, more rural than urban. France remains a country in which agriculture balances industry.

Although these facts indicate the remarkable efforts of France to get back on her feet after the war, they do not explain the most striking aspect of her financial recovery—the large amount of gold held by the Bank of France and the credits France holds abroad. On the contrary, the cost of such a vast reconstruction makes it hard to understand how, after having been on the verge of bankruptcy in July, 1926, France is now so prosperous.

First of all, the war did not completely exhaust her financial resources. The gold holdings of the Bank of France were slightly larger in 1919 than in 1913—$695,000,000, as against $679,000,000. During the war France actually exported $200,000,000 worth of gold, but she obtained it from citizens' hoardings brought to the central bank in performance of a patriotic duty. There was also much capital within the country after the war, including what had not been lent to the government from the savings accumulated for decades by the thrifty French people and also what had been paid by the government to domestic industries for war materials. During the financial crisis of 1924-26 large amounts of this capital were exported to safer monetary markets. After 1926 it slowly came back, largely in the form of gold; and this inflow of metal grew greater when the world depression beginning in 1929 led to Paris being considered a safer monetary market than even New York. Not only was French capital repatriated; foreign capital sought a refuge in France, especially after the recent German, British and American financial difficulties.

In the second place, the French balance of payments remained constantly favorable after 1924. It is true that the balance of trade has been adverse except in 1924 and 1927. The total excess of imports over exports for the seven years from 1924 to 1930 amounted to $1,150,000,000. But the tourist trade during this period, according to the most conservative estimates, yielded an average of $300,000,000 a year—a total for seven years

of $2,100,000,000. This in itself balances the excess of imports. Also, there are receipts from shipping and transit services amounting to about $120,000,000 a year, incoming reparations payments which exceed outgoing debt payments to Great Britain and the United States, and interest on credits held abroad. Altogether, it is conservatively estimated that the credits in the balance of payments exceed the debits by $400,000,000 a year. For seven years this makes a total of $2,800,000,000 which could be demanded in gold, unless offset by foreign investments. Such investments France made only to a small extent because world economic conditions did not seem favorable. If one compares the modest sum of $2,800,000,000, most of which is sterile gold in the vaults of the Bank of France, with the $9,000,000,000 of foreign securities owned in 1914, present prosperity is not so impressive. Yet comparatively small foreign credits give France a much greater power in the world, both economically and politically, than before the war.

For this there are apparently two reasons. First, in all the countries of the world outside the United States, the gold reserves have become so small, especially in Germany and Great Britain, that small withdrawals of gold may have disturbing effects. In the Summer of 1931, for example, it was conservatively estimated that all the gold of the Bank of England was subject to immediate withdrawal. Second, the credits held abroad are mostly short-term credits, payment of which may be required on demand. Their origin is twofold. French people prefer them to long-term securities because of the unstable economic conditions prevailing in the world. Also, as has been noted, the franc, after reaching its lowest mark in July, 1926, went up to 25.50 to the dollar in December of the same year. But for nearly two years before July, 1928, Poincaré advocated further deflation even against expert advice. This delay in formally stabilizing the franc opened the door to speculation and the possibility of great fluctuations in the exchange rate. To prevent such fluctuations the Bank of France had to keep large amounts in short-term credits on the great monetary markets so as to be able to buy at any time at the ratio of 25.50 to the dollar any amount of francs offered on those markets. The holding of those short-term credits abroad would not have been necessary if the government had officially stabilized the currency in December, 1926, because a currency based on a gold standard cannot fluctuate above the point at which it will pay to sell or buy gold abroad. After the stabilization of the franc these short-term credits were partly realized upon, leading to an inflow of gold, or transformed into long-term credits. At the beginning of 1931 they were estimated at $1,200,000,000 and they still amount to some $600,000,000 in the United States alone.

France has become in less than five years a creditor nation. She has accumulated in the vaults of the Bank of France billions of francs in gold. But this need have little to do with prosperity, as we know. What then is the explanation of French industries working full time up to the end of 1930, for unemployment in France being not very important, business failures comparatively few in number, the budget balanced and the people happy enough? By stabilizing at 25.50 to the dollar, instead of deflating as Great Britain did, France extinguished four-fifths of her internal debt. If it had not been for that, the tax burden, considerable now, would have been unbearable, and French industries would have paid the penalty just as the British industries did after the war. On the contrary, the low cost of living resulting from inflation created a demand for French goods abroad and in doing so helped the reorganization of industries shattered by the war. The slow readjustment of prices after the inflation pe-

riod also explains why French factories worked full time for a year after the Wall Street crash of October, 1929. In addition, low prices attracted foreign tourists whose expenditures constitute such a valuable item in the French balance of payments.

These foreign factors, however, were hardly necessary because—and this is another element in French prosperity—France is practically a self-sufficing economic unit. She does not have to rely on exports to keep her industries going. The depression, by closing some of her foreign markets, has affected industries to the extent to which they export, but this is small. French exports are largely *de luxe* goods—the most important item being silk—and those economically privileged people who are the customers of France will probably continue to buy them.

Furthermore, the great defects of the *laissez faire* régime are lessened in France by an intelligent and consistent regulation of business. Her bankruptcy laws are so severe that they make the bankrupt business man an actual outcast. Her commercial code requires corporations to divert part of their earnings to reserves and provides for considerable State supervision of big business. Public finances are controlled by a small élite of highly trained officials, from whom the directors of the largest banks are as a rule recruited and who, when they go into private banking, employ the same methods as prevail in the public finance services. These men are ready to assist the government in floating loans or in meeting an emergency. The prompt recovery of the franc in the latter part of 1926 could not have been brought about without a close alliance between the treasury and the leading banks in handling the situation on the foreign monetary markets.

The view prevails abroad that France is drifting. She is, on the contrary, held to a consistent course, though this is not necessarily due to the government, which is as inefficient as any other so-called "democratic" government, but to the higher permanent officials, either in the Ministries or in the various public services. The intellectual élite of the country still enters what is known as the *grandes administrations* rather than business. They are the competent and often the decisive advisers of those Cabinet Ministers who, after holding office in the Ministry of Justice or in the War Office, are appointed perhaps to the Department of Agriculture, only to be overthrown six months later. Cabinets go out of office but the *bureaux* stay. This feature of the French system explains why the innumerable political changes which took place in France in the last century did not change its governmental structure. Conservatism results—even backwardness, but this makes for stability.

The defects of the *laissez faire* régime in France are also modified by the character and temperament of the people. Realistic and prudent, the French resist the delusions of possible riches from investments in newly discovered but far-distant countries. They have modest ambitions and prefer a humble position that they will never lose to great expectations that may never come to reality. The French manufacturer does not run big risks. If his plant yields a fair return he will not trouble to increase its size. The large banks with their many branches and conservative policies are as immovable as rock. The shopkeepers are satisfied with their little stores and do not care for a boom which would disturb their quiet habits. The industrial workers are less specialized, less inclined to become mere robots than in Germany and America. The farmers work hard, but they own their small farms, love the land and toil on it with the loving care of gardeners. Finally, France has a population of only 41,000,000, which seems to be adequate for an area of 207,054 square miles. This gives a density of about

191 per square mile, which is much smaller than that of England, Germany or Italy, even though France has much larger agricultural resources than those three countries.

In spite of all these advantages, France is being affected by the world depression. Retail prices have not come down, while the purchasing power of many people has been curtailed by a decrease in exports. The problem now is, as elsewhere, to adjust production and consumption. This problem may prove not to be so serious as to the rest of the world and may be solved with less difficulty. The moderation of the French has prevented an overexpansion of industry such as has taken place in the United States and Germany. A depression is less dangerous in a country in which a business is built up brick by brick out of earnings instead of on credit. At the same time the low birth rate and the loss of man power in the war have obliged industry to rely more and more on foreign labor. Poles, Italians, Spaniards and Belgians have entered France in hundreds of thousands, but under employment contracts which do not give them a permanent status in the country. At the expiration of a contract, if the.e is no more work, these foreigners are sent back to their homes. In this way unemployment in France itself is kept down.

Underconsumption in France is probably much less of a problem than in the United States, because wealth is more evenly distributed. The Code Napoléon provides for the even distribution of a father's estate among the children. Large holdings of land are thus divided into small farms. Industrial and commercial fortunes are neither numerous nor large because of the lack of unreasonable ambitions of the average business man and also because of the heavy taxes imposed *on consumer and producer alike. If, however, a manufacturer or a merchant* leaves a large fortune and no children to divide it, or one child or only distant relatives as heirs, the share of the Treasury is so large—the upper limit being 80 per cent—that the State becomes the real heir. Those who think that the present depression has a social and not an economic basis, that it results from faulty distribution, leading to insufficient purchasing power for too many people and to a consequent lack of adjustment between consumption and production, will readily understand that France, in the present juncture, is much better off than the United States.

Balance between industry and agriculture, intelligent interference of the government with business, highly competent officials, moderation and common sense among the people and equal distribution of wealth are among the fundamental factors which explain the relative prosperity of France. Her economic and social structure may be far from perfect; from many points of view it may even be regarded as backward. But France alone in the world shows that the old-fashioned ideals of individual freedom and *laissez faire* may work with a remarkable degree of success. Socialism or Communism might possibly be regarded as a theoretically more logical basis of social organization than *laissez faire*, especially when the latter is tempered, as in France, by State interference, which is nothing after all but disguised socialism. But social organization is what men and women make of it—a compromise between the conflicting tendencies of very imperfect human beings. French civilization is far from perfect, but it works satisfactorily, and if many Frenchmen think it might be improved, very few would advocate a revolution.

Our Legacy From the World War

By ELMER DAVIS

THE American series of the Carnegie Peace Endowment's history of the late disturbance of the peace comes to an end with this volume* in which Professor John Maurice Clark of Columbia University attempts to estimate the cost of the war, direct and indirect, to the one nation which has sometimes been supposed to have made a profit out of it. That this supposition (of which American economists as well as envious Europeans have been guilty) is nonsense Professor Clark has no doubt. "War," he observes, "is an affair of mutual defeat," no matter what offsets may be found for its enormous economic waste. Those offsets are largely spiritual, as are perhaps the heaviest of the costs; the author glances at these intangibles in passing, but his business is the computation of the cost in goods and services diverted from peace to war uses.

This is a formidable book, some of whose chapters will be read and can be understood by nobody but professors of economics. But pure economics is as much of an abstraction as pure mathematics. The science now currently so called was better known by its older name of political economy; indeed the economics of nations might better be called emotional economy. To the average politician, and perhaps to the average voter, too, good business is worth less than a good grievance, and an export balance counts for nothing beside the paying off of a grudge. Of all this Professor Clark shows himself aware; and if he seems occasionally led into undue optimism by underrating political and emotional considerations, this is probably because his first interest is in what can be weighed and measured by statistical methods.

Statistics is the queen of the sciences, now that the physicists have divorced old barren Reason from their bed and substituted statistical probabilities for the laws of cause and effect—and a queen as capricious as most female rulers. That statistical computations are uncertain and often conflicting, Professor Clark confesses. But since politics and emotion constantly affect the calculations of war costs, particularly those that are still going on, a layman who has spent some time in the obscure forest of Professor Clark's statistics may perhaps play a diffident Vergil to the general reader's Dante, and try to show him the way out of the woods.

Much reasoning about the war (particularly its social and spiritual consequences) proceeds in a vacuum; it is assumed that if what has actually happened since 1914 had not happened, nothing would have happened, or nothing unsuited to the heart's desire of any given arguer. Professor Clark is under no such delusion. The war has had its effect, often incalculable, on everything that has happened since; but if there had been no war there would have been in these years prosperity and depression, though probably neither would have been so pronounced. The Coolidge boom may have been largely due to sales to Europe on money Europe borrowed to repair war damage; but

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*_The Costs of the World War to the American People._ By John Maurice Clark, Professor of Economics in Columbia University. New Haven: Yale University Press, for the Carnegie Endowment for International Peace, Division of Economics and History. $3.50.

if, as some economists estimate, Coolidge prosperity canceled the cost of the war, "the present depression may more than cancel that cancellation." We are (or were three years ago) better off than in 1913, but probably *not better off than if the pre-war upward trend of national income had* continued.

In any case, we owe a great deal to the years of neutrality. The year 1914 found the United States "rich, strong, heterogeneous and unorganized in a national sense; preoccupied with internal conflicts of interest, internationally unsophisticated * * * with enormous energy at command and little disposition to submit to discipline or control in the use of it, * * * a country with no sure willingness to bear the enormous economic sacrifices which a European war seemed certain to entail." The difference between this sprawling mass and the organized America of the end of 1918 would have been incredible to a pre-war observer. But it was the neutrality period that got us into training, that canceled our pre-war debt to Europe (a net gain of $4,500,000,000 to $5,000,000,000), increased the national income and built up an increased productive plant in precisely the industries we were going to need most when we got into the war.

In money as in men, Professor Clark observes, our sacrifices were "not of the same order of magnitude" as those of the European combatants; yet they were large enough. The real measure of war costs is not the money outlay but "the outpouring of goods, the diversions of productive power from peace to war uses, and the sacrifices of the people." But the money outlay must be used as a provisional yardstick, and the "immediate economic cost" to the Federal Government Professor Clark estimates as roughly $34,250,000,000. This is based primarily on the treasury estimate of $27,000,000,000 cost to the middle of 1921, at which time the war officially ended. But the treasury deducted from the total of war loans the sum of $7,470,000,000, the estimated worth of the European war debts; the author restores that sum "since the loans represented goods exported," and treats the payments made from Europe since *then as offsets to our own continued costs, chiefly in the Veterans' Bureau.* Certain other minor additions are made, and there are deducted most of the deficit of the Federal Railroad Administration (since the bulk of railroad service even in the war years was given to private business) and also the interest on the war debt to the middle of 1921, as this was a fiscal expense to the government but not a cost to the nation.

There must be added the expenditure by States and cities for war purposes, the $560,000,000 subscribed to the Red Cross and other relief agencies, and the indeterminate but considerable amount that went into relief organizations of the Allies. Professor Clark thus comes to the conclusion that the "immediate social cost" was roughly $32,000,000,000 — a figure which seems too little rather than too much.

That was the immediate cost. We are still paying war costs, of course, chiefly in interest on the war debt and the expenses of the Veterans' Bureau. The war debt is not a social cost to the nation; it goes out of the pockets of taxpayers and into those of bondholders and the net cost is only that of administration. The expense for the care of disabled veterans and war widows and orphans is not loss, but the somewhat optimistic bookkeeping of government agencies calculates that ultimately this will be more than offset by repayment of the European war debt.

It might be supposed that in view of the considerable rise in the Federal budget aside from debt service and veterans' relief, other post-war expenses may properly be charged to war influence. But Professor Clark thinks not. Considering the growth of population, the lessened buying power of

war and post-war dollars, and the pre-war upward trend in government expenditures, he doubts if the "normal" expenses of government are greater because of the war than they would have been in any case. Notably this is true in the army and navy, despite the increased mechanization of modern war, which makes armies and navies more costly than they used to be; this has been offset so far by the fact that both services are still using up equipment manufactured for the war. They have about come to the end of that, and increased expense or lowered efficiency of the defense forces must presently follow. As for some increases in the cost of non-military government services, especially the Department of Commerce, as a result of various consequences of the war, they are probably offset by the neglect of other things the government might have been doing.

There remain, however, the great debit and credit items of post-war finance, veterans' relief and the European loans. Even before the current moratorium we were spending more than twice as much on relief as we were getting from Europe; but theoretically the cost of relief will decrease, the payments from Europe will rise, till the balance will turn in 1946, after which the debt repayments will exceed relief costs, unless these latter are swollen by "unexpectedly large increases in disability or by fresh additions to our scheme of compensation."

Without such additions Professor Clark estimates the total outlay on veterans' relief, till it reaches a vanishing point about 1980, at $20,000,000,000 to $25,000,000,000. The amount we are entitled to receive on principal and interest of the European debt up to 1987 is about $22,000,000,000 — almost a balance, in theory. But the author clearly has his doubts (had them even before last year) how long Europe will go on paying; and he is also far from confident that veterans' relief will not be increased. Whistling to keep up his courage, he observes that comparisons with the continuing burden of the Civil War are of little value because Civil War veterans eventually received service pensions, which are still continued to young widows of old soldiers. If this happened before young women had votes, is it not all the more likely to happen when every Congressman must think not only about the votes of veterans but of veterans' wives? The cowardice of Congressmen may be taken as a well-established fact, not to be omitted from any serious computation. On paper, European debt payments and veterans' relief cancel out, leaving the direct money cost to the nation no more than the $32,000,000,000 spent at the time. But Mr. Coolidge, who may not know Europe but knows his politics, suggested in his Armistice Day speech of 1928 that the final cost of the war to America may be "well toward $100,000,000,000." Even if Congressmen change their spots and twentieth-century girls prefer to work for a living rather than marry old men for their pensions, we must still spend nearly $25,000,000,000 for relief at the present rates; and anybody who expects much more money on account of the European debts displays optimism worthy of a Florida realtor.

Of the $32,000,000,000 immediately spent on the war about $10,700,000,000 was raised by taxation—a very high percentage, and about as much, in the author's opinion, as could profitably have been taken. The rest came from loans. A deferred payment? No, says Professor Clark, only a deferred allocation. People who buy bonds give up their purchasing power to the government immediately; taxation to retire the bonds eventually distributes the burden, with no added cost except that of administration. Till the current slump the government was rapidly retiring its debt—too rapidly, in the opinion of some economists. The author finds it impossible to measure the total effect, good and bad, of this

on the national economy, though he does suggest that this continued flow of funds into the reinvestment market may have helped to raise security values to the fantastic heights of 1929.

But taxes and loans are inadequate measures of the actual sources of war expenditure. By computations which the amateur cannot follow without a headache, Professor Clark concludes *that $19,000,000,000 of the $32,000,000,000 came out of decreased consumption* and $13,000,000,000 out of increased production. Who decreased their consumption $19,000,000,000 worth? Apparently everybody, except the farmers. People with fixed incomes naturally suffered most in a time of rising prices—bondholders, government employes, salaried workers generally. Salaries increased absolutely but not relatively; wages increased more than enough to offset rising prices, but taxes and bond subscriptions took most of the margin; business profits were nominally immense, but taxes engulfed most of them. In 1918 somewhat more than 25 per cent of the total national income was spent on the war—$16,000,000,000 out of $62,000,000,000.

But no class in America was ruined by the war, as were middle-class bondholders and salaried workers in some European countries; in general there was a rough equalization of income, so that no class suffered serious privation or made any exorbitant profit—except the farmers. They "gained over $5,000,000,000 between 1917 and 1919, and may be said to have been paying for it ever since." They have paid, of course, because they inflated themselves on the theory that good times would last forever. City people who lately made the same mistake in judging security values can hardly throw the first stone at the farmers for that.

All in all, the burden of decreased consumption seems to have been distributed about as equitably as possible; but increased war production entailed serious and long-continued derangements. By shifting about 3,500,000 men from non-essential industries to military service and war work (the building industry suffering most heavily); by taking advantage of an increase of 1,500,000 in the normal working population; and by drawing into war work, military or civilian, about 800,000 people who normally would not have worked at all, it was possible to send 4,000,000 men into *service and still increase the national production.*

The increase, however, was not so great as might have been expected; in fact, it was less than the "normal upward trend." Why? There was much waste (unavoidable, no doubt); many of the best executives and most skillful workmen were in the army, other executives were serving as dollar-a-year men in Washington; factories had to be manned largely by ill-trained and inexperienced workers in whom enthusiasm took the place of skill. By main strength and awkwardness they produced a good deal; but many of them worked "at unfamiliar tasks, subject to unfamiliar dangers, for long hours and under heavy pressure, frequently in congested housing conditions," so that their output cost "more than normal human sacrifices."

Further, much of the "decreased consumption" represented money that would normally have been plowed back into the business; many industries came out of the war with terrifically depreciated plant. The building trades, from which capital and labor had both been withdrawn, are an instance; they were starved in the war, and eventually the making up of war-time losses led to a wild boom, and that to another slump which seems likely to be aggravated by the administration's present proposals for its relief. Men were drawn from other industries into wartime essentials such as railroads and coal mining, to find that after the armistice they were no longer needed. But men attached to a prosperous industry are slow to leave it in hard times; they hang on, waiting for an upturn. (Professor Clark's conclu-

sions on this point are immensely significant for peacetime as well as wartime economy.) Industries which had to turn their plant to wartime uses often found that much of it was useless for peace; nobody else was able to duplicate the astounding feat of the du Pont Powder Company, which turned its immensely enlarged plant to the manufacture of peacetime goods *at immense profit. But the du Ponts* had a running start; their plant was built up by European orders before America entered the war.

Altogether there was immense waste—unavoidable waste, the author thinks, and far less than there might have been; but its continuing effects represent an enormous loss to the national wealth, human and material, that cannot be included in the $32,000,000,000 of immediate cost.

The $20,000,000,000 or $25,000,000,000 of probable veterans' relief may be taken as an attempt to distribute the material cost of loss of life and health. Our casualties, of course, were far less than those of any other major power engaged in the war. Yet about 130,000 men died in service, of whom only 20,000 would normally have died in time of peace; and subsequent deaths due to war causes would raise the total by 60,000 or more. Modern war leaves worse and more lingering injuries than war of the old type; Civil War bullet wounds killed or were cured, but poison gas leaves weakened lungs and constant shell fire shatters nerves. Of the 262,000 veterans receiving compensation in 1929, tuberculosis and other respiratory diseases accounted for 74,000 and neuro-psychiatric troubles for 56,000. These are diseases not easy to cure.

The lost earning power due to death and disability is hard to estimate; the author capitalizes it roughly at about half the total prospective expenditure on veterans. The rest is largely subsidized insurance and adjusted service compensation, designed to spread out the burden of the social cost assumed by men who went into the army at a dollar a day instead of earning their usual incomes in peace occupations. Professor Clark seems to think that in an economic sense the compensation fairly well distributes the loss; the emotional cost of death and disability of course cannot be measured.

But amazingly little attention is paid to the 400,000 civilian deaths from the war influenza epidemic. There is no exact evidence as to how far this was due to the war, but the author's view that probably some such epidemic (even if less severe) was due in any event seems highly speculative. Epidemiologists seem to think that not only the rapidity of the spread of influenza but the virulence of the germ was due to war conditions; and the ultimate economic cost of a pestilence which struck in the main at the young and vigorous may have been far more than that of death and disability among service men.

The decline in the birth rate due to absence on active service and to war deaths is usually counted in European estimates of war costs. Professor Clark refuses to count it for the United States on the ground that for a country situated as ours is a decrease in population growth is more apt to be a gain than a loss.

The direct and measurable cost of the war to America therefore would seem to be somewhere between $52,000,000,000 and $57,000,000,000—$32,000,000,000 immediate cost, mostly paid while the war was going on (bond purchases being counted as immediate sacrifice of purchasing power to the government) and $20,000,000,000 to $25,000,000,000 which veterans' relief will cost at the very least. (Almost certainly this will be far more.) What are the offsets? What have we gained from the war?

The chief financial offset is the European debt; at this writing it seems highly unlikely that much more will ever be paid on the governmental debts of Europe to America. Neutrality wiped out our pre-war private debt to Europe and in the post-

war years our private loans abroad have amounted to (this is Professor Clark's conjecture) some $8,000,000,000. There now begins to be some doubt how much even of this we shall ever get back. Interest payments from abroad have practically wiped out the old debit balance of international trade in the invisible items; our merchandise exports now represent "a progressive accumulation of credits." Our tariff policy hampers repayment in goods; the only other way we can be paid (and this cannot last forever) is by gaining an increasing control over the assets of foreign industry. Foreigners do not like that and we may not find it profitable. "A completely prostrate and bankrupt Europe," says Professor Clark, "would be a calamity to the United States which must at almost any cost be avoided and prevented." A Europe owned by American capital might not be much better, even for America.

The war also gave us a merchant marine, at a net cost to the Shipping Board of $3,000,000,000. Unfortunately most of the ships built during the war were tramp freighters, a type of diminishing utility. The surplus was burned or lies rotting in the rivers of the Atlantic seaboard, and new ships have to be built to keep the American merchant marine up to date. From the standpoint of world economy, observes Professor Clark, this is a net loss; even as regards purely national interests it cost more than it has so far been worth.

Neither of these apparent tangible offsets to war costs, then, seems to be worth very much. There are intangible gains, whose worth will be estimated according to the temperament of the estimator. "America is now undoubtedly top nation," as the authors of 1066 *and All That* put it; but to be top nation in the interdependent and demoralized world of today may mean little more than that Uncle Sam is in the position of the unemployed provider for a family of invalid dependents. The "proven sense of capacity for national accomplishment," which, as Professor Clark reminds us, was conspicuously lacking in the uneasy years of neutrality, is a clear spiritual gain; but that, too, may have been canceled out by the depression with its growing sense of national incapacity. On the other hand, the reaction from the war brought "normalcy" and its malodorous scandals in high places, and it also brought insularity with its corollary *defensive mechanism of insensitiveness to foreign opinion and contempt* for peoples who do not happen to be quite like ourselves. "We learned things," says Professor Clark, "as men must from any great experience; but too often we seem to have learned the wrong things." Certainly when one considers that out of this disaster we have not even learned to do anything effective to prevent another like it, when our majority opinion allows its dislike for Europeans and Democrats to put a veto on most of the measures of international cooperation on which future peace depends, it is hard to say that there has been any intangible gain at all.

In one or two respects, however, the balance is somewhat better. Prewar America was still in the trust-busting stage; it was not noticeably busting the trusts, but the attacks on them were hampering efficient and economical production without seriously interfering with the faults of monopoly. And the pre-war labor situation contained "many possibilities of trouble," with real wages hardly rising before 1916 and radicalism in the labor movement increasing. "That was a real threat, which the war and its after-effects served to remove for a decade and a half." It was removed partly by a wave of patriotism, which gave labor a national rather than a class consciousness, and partly by a more intelligent policy on the part of employers, which gave labor a larger share in the profits of industry. If the gentlemen who wanted to "deflate labor" in the 1921

depression had had their way the consequences might have been disastrous.

None the less there was even in the boom years a total deflation of some labor by technological unemployment, though other laborers were getting high wages; and now even the philosophy of high wages is beginning to crack under the strain of long-continued depression. Professor Clark is impressed, as any sane observer must be, by "labor's tolerance and willingness to accept well-intentioned efforts in default of effective remedies"; but "this tolerance may not survive another depression." The only thing that can insure its continuance, he thinks, is "a wise and successful unemployment program." This is not in sight as yet.

Capital no less than labor became better adjusted to the national life as a whole as a result of the war. "The public interest in methods of production," in the days when production for war needs was imperative, brought about improved technique, standardization, interchange of information, and in general a better cooperation within most industries and between industries and the nation. Furthermore, increased productive capacity must find outlets; traditional economics would say that its surplus can be diverted to new goods, but even with all the advertisers shouting at us the public cannot always be persuaded to want the new goods that the producer turns out. There is a time, in other words, when we all get sick of being commanded to buy gadgets we do not want. War reduces the stock of familiar and useful goods that people do want, and thereby serves to postpone the revelation of what you may call (according to your taste) either the bankruptcy of producers' imagination or an inherent and incurable weakness of the whole profit system. The consumer was reaching his saturation point in 1929 he might have reached it much earlier if the war had not destroyed so many of the things he really needed. A few years ago a respectable economist would hardly have dared to say this but here as elsewhere Professor Clark shows a praiseworthy tendency to common sense, and to looking at the facts whether or not they agree with classical dogmas.

But this item, though an offset to war costs, can hardly be called a profit. The one indubitable gain which the war brought American economic life was a better realization by both capitalists and laborers that they are also, and in the first place, citizens. By contrast with the conditions of 1912 this gain is immense; against the imperative demands of 1931 it is not quite so impressive as could be wished. There is plenty of well-intentioned effort just now, but nobody has produced any effective remedies. So perhaps more attention might be paid to another of the war's useful legacies—the government's plan for industrial mobilization when the next war breaks out. When that day comes self-reliant American individualism, so highly recommended from the White House, will be thrown overboard; every man and every industry will be told what is expected and demanded of him, everything will be intelligently planned toward the fulfilment of the national purpose. If that can be done the next time we find ourselves at war it seems as if something like it might be attempted to deal with a depression which has already, in Professor Clark's opinion, cost us more than the $32,000,000,000 we spent on the war with Germany.

Japan's Bid for Far East Supremacy

By WILBUR BURTON

THE undeclared war existing between China and Japan since the Japanese seizure of a large part of Manchuria is merely another chapter in a struggle that has gone on for centuries. Although the Japanese and Chinese have much in common, especially a Confucian basis of a large part of their social life, there seems to be a fundamental antagonism between the two peoples. Each nation has devout advocates of Sino-Japanese cooperation toward a Pan-Asiatic movement of "Asia for Asiatics," but it has never made much headway, nor is there any indication that it ever will. Rather, there is a long and almost instinctive conflict between the Chinese and the Japanese for domination of the Far East. A common Chinese attitude toward the Japanese is expressed by frequent reference to them as "dwarf slaves." An equally common manifestation of Japanese chauvinism is best illustrated in the description of China by Norinaga, one of the makers of modern Japanese mores, as "a dirty country not under the special protection of the Sun Goddess."

Envy explains much of the Sino-Japanese antagonism. When Japan was an insignificant nation of constantly fighting feudal chiefs, China was the mighty "Middle Kingdom," a centre of the wealth and culture of the Orient. The West then was but vaguely known. All the civilization that Japan had came from China; even the dress of Japanese women today is of Chinese origin. Confucianism was imported into Japan and adopted. Within the last century reaction against this wholesale imitation of China began and Shinto and Bushido were brought forth to replace a large part of the Confucian code. Within the last century also, the rôles of China and Japan have been reversed; from insignificance Japan rose to be one of the world's major powers, while from isolated magnificence China fell into chaos and for a time was threatened with virtual extinction as a nation through being carved up by western invaders. This reversal of their rôles naturally aroused envy, if not resentment, of Japan among the Chinese.

Today Japan is a great but small country with extremely limited natural resources and with a population of nearly 65,000,000, which is considerably too large for her area. China is a vast country with extensive natural resources and approximately 400,000,000 population. If the Chinese envy Japan's present greatness and importance the Japanese can well envy China's size and potential importance. Further, despite her chaos and backwardness, China has been an obstacle to many Japanese ambitions. In Manchuria, for example, more than 25,000,000 Chinese have settled in the present century, but only 200,000 Japanese. Despite population pressure in Japan, Manchuria is too cold for Japanese colonization, while the Chinese are able to live and prosper in all lands from the equator to the Arctic Circle.

Japan's imposing façade cannot conceal many major weaknesses. Her already excessive population is increasing steadily, but immigration to countries suitable to the Japanese physique is no longer possible. Japan, furthermore, suffers chronically from an unfavorable trade balance. Since 1870 imports have exceeded exports in all but eleven years. In only one

year between 1897 and 1915 did exports exceed imports, and in no year since 1918. Today Japan has a governmental deficit of approximately $81,500,000, which is the result of her huge military establishment. This fact, incidentally, was not without vital significance in the Manchurian adventure; the army wanted to prove its worth lest its appropriations be curtailed.

Japan also faces a growing radicalism among her own people. Radicalism, it must be understood, does not necessarily mean any shade of communism, although there is a strong Communist movement. *Anything is radical in Japan that is not predicated on the thesis of the Emperor's divinity.* The doctrines of Thomas Jefferson are just as subversive to the Japanese theocratic state as those of Karl Marx, although the country has manhood suffrage. The anomaly of manhood suffrage and Emperor worship, for example, was amusingly illustrated in 1929 by the Japanese objection to the phrase in the Kellogg-Briand peace pact that the "high contracting parties declare in the names of their respective peoples" to outlaw war. The pact was ratified by Japan with the qualification that the Emperor spoke as a sacrosanct god, not as a representative of the people. Until recent years the divinity of the Emperor apparently was doubted by no one, but the younger generation is indulging extensively in what the police describe as "dangerous thoughts," many of which are inspired by the sweeping social revolution going on in China. And this is another reason why official Japan regards China with profound mistrust.

The first recorded clash between China and Japan took place nearly three and a half centuries ago, when China still was the mighty "Middle Kingdom" and Japan started struggling for a place in the sun. The Japanese invaded Korea, then a tributary State of China, and in the following year Chinese troops sought to oust these "barbarian upstarts." The Japanese forces defeated the Chinese, but abandoned the project of conquering Korea for almost 300 years. In 1609 the Japanese did conquer and assume control of Liuchiu, also a tributary State of China, and thus took their first successful step in imperialism.

From then, until opened to the world by Commodore Perry, Japan was too busy with her petty internal wars between various clans to be concerned with the rest of the world. Meanwhile a curious development was taking place. Three prophets arose to proclaim the glory of Japan before the introduction of Chinese philosophy. Once, they said, in a by-gone "Golden Age" the Mikado, or Emperor, had been supreme by virtue of his descent from the Sun Goddess, but, Kamo Mabuchi found, "since the introduction of Chinese manners the sovereign, while occupying a highly dignified place, has been degraded to the intellectual level of a woman." Motoori Norinaga proclaimed that the Mikado is the "Immovable Ruler who must endure to the end of time; * * * in ancient language he was called a god, and * * * duty, therefore, consists in obeying him implicitly without questioning his acts." Hirata Atsutane declared that "from the fact of the divine descent of the Japanese people proceeds their immeasurable superiority to the natives of other countries in courage and intelligence." All these prophets and their followers urged a return to Shinto, a "way" that is based on the infallibility of the Emperor and Nature—the Emperor being a kind of all-powerful oracle of Nature.

The preaching of the Shinto evangelists probably would have passed unnoticed had it not been that their movement coincided with Perry's forcible opening of Japan. Soon afterward a few energetic young Japanese, like Prince Ito, who had studied abroad, became convinced that Japan's ancient isolation and warring

feudal lords were anachronistic and no longer desirable. They seized upon Shinto as the "way" toward a new Japan, and a group of fifty-five of them overthrew the feudal Shogunate in 1867, and on Jan. 1. 1868, proclaimed the Era of Meiji (Enlightened Government) under Emperor Mutsuhito.

This "restoration" was one of the most sudden and thorough-going changes any nation has ever experienced. It was far more a revolution than a "restoration," for there is no historical warrant to accept the story of any "golden age" under Shinto, which appears to have been originally merely a primitive animism. But the "restoration" legend served its purpose well; the coming of strange and somewhat fearful aliens furnished a powerful motive for unity; the people were tired of feudal wars, and the characterization of the new régime as only a return to ancient glory was psychologically pleasing. Along with Shinto the "restorationists" popularized Bushido—"the way of the warrior"—as likewise a revival of an ancient heritage. Actually "Bushido," which may be most simply defined as salvation through fanatical patriotism, is a modern device, although many of its knightly principles are doubtless a part of Japanese tradition. Today both Bushido and Shinto are taught in all public schools and universities as eternal verities, and to question either is a "dangerous thought."

In 1889 Shinto and Bushido were given legal confirmation in a constitution which is certainly a unique document of statecraft. Article I provides that "the Empire of Japan shall be ruled over by the Emperors of the dynasty"; Article III decrees that "the person of Emperor is sacred and inviolable"; and Article XIII says "the Emperor declares war, makes peace, and concludes treaties." Other provisions of the constitution give the government power to carry out the budget of the preceding year should the Diet not vote a budget, thus precluding any possibility of democracy in the western sense.

No sooner had Japan completed her "restoration" than she started on the road to imperialistic greatness. China, then under the rapidly degenerating Manchu dynasty, was unable effectively to oppose aggression from either her neighbor of the rising sun or the more distant countries of the setting sun. In 1874 Japan seized Formosa, a part of Fukien Province, from China, and in 1895 she again attacked Korea and thus started the only formally declared Sino-Japanese war. As a result of China's defeat Korea became independent—a prelude to annexation by Japan in 1910; China surrendered all claim to Formosa and Liuchiu and, in addition, paid a war indemnity of more than $100,000,000.

After the formal Sino-Japanese war Japan obtained all special rights in China that other powers had wrested from that hapless country; the defeat of Russia in 1905 gave Japan all Muscovite concessions and rights in South Manchuria. The next year the South Manchuria Railway Company was organized, and in the years immediately following Japan obtained additional rights and coal mining, timber cutting and similar concessions.

Sino-Japanese relations entered a new phase after the Chinese Revolution of 1911, which overthrew the Manchu dynasty. A revolution in China evidently did not appeal to Japan, both because of its unfortunate example and the possibility that a republic would prove a more vigorous rival than a weak and corrupt monarchy. During the early stages of the revolution Japan made a definite effort to divide the country, with a republic in the south and the monarchy in the north, but failing in this plan she joined the banking consortium that in President Wilson's eyes, at least, was designed to mortgage the infant republic to the major foreign powers.

Japan's fears that the Chinese Republic would prove more potent than the Empire proved groundless, at least for the time being. Unlike Japan's revolutionary "restoration," the Chinese revolution retarded the introduction of Western industrial and economic technique, while throwing the country wide open to new social ideas that are still working themselves out. But the revolution paved the way for providing China with a source of strength she lacked before—a violent nationalism among her people. This has been apparent ever since the Twenty-One Demands of 1915 and has been the chief check on Japanese imperialism as well as the most powerful threat to Japan's future in the long-drawn-out war for supremacy in the Orient.

The Twenty-One Demands were presented to China at what was the weakest point in her history, taking all factors into consideration. From a military standpoint she was no weaker than she had been for many years, but in 1915 she lacked the asset of being able to play one great power against another—a policy that had frequently saved her. When China came most dangerously near to being carved up—in the last years of the nineteenth century—the jealousy of the powers to prevent one from getting more than another, and the Open Door policy of America, who did not desire any territory or special "sphere of influence," combined to preserve a nominal territorial unity within the country south of the Great Wall. In recent years China has had a potent weapon in the nationalism of her people. But in 1915 this nationalism was still little more than embryonic, and all the Western powers were too much occupied with the World War to pay much attention to China.

Had the original Twenty-One Demands been carried out Japan would have achieved a virtual protectorate over China. But, despite the unfavorable conditions, adroit diplomacy staved off the worst of the demands, although the agreement growing out of them gave Japan a secure foothold in all parts of South Manchuria outside her railway zone. Subsequent special rights, not only in Manchuria, but in China proper, were granted in a secret agreement concluded with the notorious Anfu clique in Peiping in 1918. It was this series of events, together with Japan's demand that China sign the Treaty of Versailles confirming possession of the parts of Shantung seized from Germany, that brewed the first nation-wide nationalist mass movement in Chinese history—a movement which proved sufficiently powerful to prevent China from signing the Versailles treaty, forced the Anfu clique to flee, and eventually assisted in inducing the Washington Conference to return Tsingtao and other former German possessions in Shantung, to China.

The birth of Chinese nationalism apparently gave pause to Japanese efforts to prevent the rise of an Oriental rival. During the period of 1922-24 Japan's policy toward China was decidedly pacific. Nevertheless, Japan retained her hold on Manchuria through Chang Tso-lin, father of Chang Hsueh-liang, the present ousted Governor of the territory. And in 1925 the Japanese, although not too openly, assisted Chang Tso-lin in crushing the nationalistic Kuo Sung-lin revolt. In the same year also the killing of a Chinese worker during strike troubles in a Japanese mill of Shanghai started a wave of nationalism, tinged with bolshevism, that soon swept China. Great Britain, however, became the chief object of this outburst when the British police in Shanghai killed a number of students on May 30, 1925. Throughout most of the struggle Japan maintained a discreet neutrality.

In 1927 and 1928, when it appeared that under the banner of the Nationalists, then divested of Soviet affiliations, a measure of Chinese unity would be obtained, Japan reverted to her ancient tactics of seeking to keep

China divided. Troops were rushed to Tsinan in Shantung on the pretext of protecting the Shantung Railway, for which China was still in debt to Japan; their obvious purpose was to halt the march of Nationalist troops to Peiping. But the Japanese succeeded only temporarily. Nationalist troops reached Peiping and formal unity of the country was proclaimed. Japan then turned her attention toward preventing Manchuria from coming into the Nationalist orbit. Had not Chang Tso-lin been killed in a mysterious train explosion, which Chinese and many Japanese attributed to the Japanese military in Manchuria, it is altogether possible that Manchuria would have remained closer to Tokyo than to Nanking, the Nationalist capital. Filial piety is still strong in China, despite social evolution, and it was this ancient trait which appears to have been chiefly responsible for Chang Tso-lin's son's turning toward Nanking. Certainly from the time he assumed power on the death of his father he showed little inclination to cooperate with the Japanese, and by 1931, Manchuria, for the first time in modern history, was under a government that was more pro-Chinese than pro-Japanese.

This fact was doubtless partly responsible for the new "strong policy" adopted by Japan in her seizure of much of the territory beginning last Sept. 18. All the motives that entered into the seizure probably never will be known, but its primary inspiration was, beyond cavil, the fact that Japan saw Manchuria slipping from her domination. It is also possible, as has been charged, that the Japanese military acted without consultation with the civil authorities. Perhaps, also, the Japanese cannily calculated that the time was propitious to curb further their omnipresent Celestial menace. China in 1931 was in chaos. The Nationalist movement had again split; one faction comprised the recognized government in Nanking, while another held sway in Canton. Besides, the Communists had risen to an influential position, forming the first Soviet Republic of China in Kiangsi and adjoining provinces. And the world was too preoccupied with economic troubles to take much interest in China and her difficulties in resisting Japanese purposes.

Whatever may have been the reasons, aside from the pretense of treaty violations which can always be charged to China, Japan struck, and struck hard, taking not only actual possession of practically all South Manchuria and some areas in the north, but demanding the complete and permanent withdrawal of all Chinese soldiers to south of the Great Wall. As was to be expected, the League of Nations could not or would not do anything, and China was in no position to fight back. But one answer of Cathay was the most thoroughgoing boycott ever instituted against any nation; another answer was a recrudescence of the mass movement on a scale unprecedented since 1925. It remains to be seen whether Japan can finish what she has started.

This brief review of Sino-Japanese relations reveals clearly a consistent policy on the part of Japan—to prevent, if possible, the rise of a strong, stabilized China. There are critics, including many liberal Japanese, who consider such an attitude shortsighted. From one viewpoint they are correct. China, normally, is Japan's best customer, and trade is suffering by the present boycott, even more severely than from past boycotts. On the other hand, a strong, stabilized China would be Japan's nemesis. If the potentialities of Cathay, with her 400,000,000 people and vast natural resources, are ever even approximately realized, Japan will be overshadowed into insignificance, for her strength is ever conditioned by China's weakness.

SHANGHAI, China, Dec. 11, 1931.

The Skyscraper's Challenge to Sculpture

By EDWARD ALDEN JEWELL

HOW fares it with sculpture in America? If we are to take Jacob Epstein at his word, our sculptors must be esteemed, as it were, badly in arrears. They have failed to keep pace with the skyscrapers. America, he says, in his just published book, *The Sculptor Speaks,* has "created an entirely new school of architecture, massive and impersonal," and he believes that this modern architecture of ours "calls for a new school of sculpture." Is it true that "there is no sign at present of a real American school of sculpture"? Before attempting to answer this question it will be well if we glance for a moment at our American heritage in sculpture, tracing briefly the tendencies and influences that fashioned it, such as it may be, and estimating, so far as we are able, the social demands that have impelled sculptors in this or that direction. Perhaps Epstein, the expatriated, is right; possibly he goes a little too far in his discouraging evaluation.

Let us see upon what authority a modern school of American sculpture, if it exist, may be said to have inherited lares and penates of its own. Curiously enough, and significantly, our sculptural beginnings in this country show themselves to have been virtually innocent of European direction. As time went on and our sculptors attained "professional" status, older cultures across the Atlantic were asked to yield pattern and precept; but before that there were certain homely groping primitives—like William Rush and John Frazee, like Hezekiah Augur and Patience Wright—who perforce blazed trails of their own in a wilderness both literal and figurative. Their crude but passionately sincere efforts established a native precedent that, however misprized and misunderstood at the time, assumes immense importance as we look back now, striving to piece together the fragments of our American patrimony.

The Colonial period drew to a close. A war was fought and won, and a new Western Republic took its place in the family of nations. That art should have been slow in developing need occasion no wonder. There was so much work of pioneering nature to be done. The insecure young nation, with enduring autonomy yet to prove, must build up its industrial and agricultural resources; must create a truly integrated union of States, a system of government capable of cementing and sustaining this union. All too soon came the Civil War, menacing the heart of a society it had taken such heroic labor to evolve. Yet a yearning for art is implanted in humanity. Through even such stress as this the lamp remained alight.

Gone, however, was the primitive simplicity that could without embarrassment speak a provincial, homespun idiom. As a nation we had become painfully conscious of cultural insufficiency. Our sculptors, like our painters, lacked in their work the finish (slickness is sometimes, alas, a term more appropriate) that distinguished the art of reigning European celebri-

ties. They lacked, too, the requisite capacity for grandeur and (let it be diffidently confessed) for sublimity—or what passed for these widely admired qualities. Only in Europe could one learn the trick of immaculate, glistening surfaces; only there, so popular persuasion ran, could our sculptors matriculate worthily, acquiring styles approximating (it would be presumptuous to hope for styles quite equaling) those of Roman masters like Canova and Thorwaldsen, then so enormously in the vogue. Off sailed the American neophytes—Hiram Powers, destined to produce the illustrious "Greek Slave"; Horatio Greenough, who would presently fabricate a colossal George Washington in classic garb for the Capitol; Thomas Crawford and his pupil, John Quincy Adams Ward, together with others who followed eagerly along.

Once the quest was started it gained momentum rapidly. As art fashions changed on the Continent our docile sculptors accommodated themselves to such inevitable fluxes. Paris displaced Rome as the sculptural arbiter, and this in a way was very convenient since now all the arts were controlled by one supreme esthetic tribunal. Not to work in the French manner, be the medium sculpture or painting, was not to be anybody at all.

Sculptors like Augustus Saint Gaudens, Frederick MacMonnies and ever so many more learned their lessons well. MacMonnies, returning, helped build before marveling eyes that superlative white fairyland known as the Chicago World's Fair of 1893, surely an emblem of culture's triumph and a nine days' wonder the like of which had never before been seen in this hemisphere. The splendor spread. Our civic parks came to be embellished not alone with the austere Civil War and Spanish War veterans on their granite pedestals, but also with graceful fountains. Graceful figures of statesmen, poets and, more frequently, "symbolic" virtues gladdened the façades of public buildings. If these tended to add bewilderment to the prevailing architectural conglomeration, we did not mind, because all this linked us more and more closely with European culture, and we dared not yet believe that we, as a nation, had a collective mind of our own.

With the dawn of the twentieth century, however, a new American social philosophy began to assert itself. A machine age made demands to meet which the now outmoded methods of the nineteenth century were somehow not equipped. Our architecture shot up into the air. "Modern art" (fostered, to be sure, on the Continent) wooed sculptors and painters alike into realms of abstraction. This urge went deeper than the surface. There was something inherently, if not always quite palpably, abstract about these great new skyscrapers and grain elevators, which added legitimate fuel to the revolt from older forms. Of course all this was, at any rate over here, largely inchoate. Sculptors did not know precisely what the modern movement was all about, and most of them still—partly in self-defense, though without quite the former abjectness—followed European leadership.

Even our skyscraper architects, though they and their brothers, the engineers, had succeeded at last in creating something essentially American in spirit, nearly always got cold feet and lathered the faces of these vast monumental forms with gimcrack "period" decoration. As for the engineers, they knew what they were about; they were rearing gargantuan structures of steel and concrete for a Western civilization that had need of them. Yes, the engineers had devised, working on a strictly utilitarian or "functional" basis, an architecture unprecedented in the world's history. And had they been permitted just to ceil up these enormous steel skeletons with outer casings consonant with the spirit of the shells, we might have today an architecture more unreservedly

American to set in contrast with the architecture of the Old World. But most of our architects (there were notable exceptions) felt still drawn, from force of habit, to the procedure of "tradition," and the final result, in too many instances, has been a surface hodgepodge born of timidity, reasserting — incongruously enough in this day and age — America's ancient sense of cultural inferiority.

What has all this to do with sculpture? A very great deal, as we shall see if we pursue the problem a little further. Despite their many lamentable defects, our skyscrapers are preponderantly native. It is of them that Jacob Epstein is thinking when he says that America has "created an entirely new school of architecture"—an architecture that promises in the future to become still more finely "massive and impersonal" (if "impersonal" be the word) than it is today. With so positive an achievement as this to our credit, it is not surprising that Mr. Epstein should bring critical scrutiny to bear upon American sculpture and that in his eyes it should fail to meet the test.

Architecture and sculpture have always tended to walk hand in hand. We know what triumphs resulted from joint labor in the past—in Greece and Egypt and Assyria, for example. The carved frieze became, in a far-distant age, an integral part of temple and palace. Figures "in the round," stepping out of these carved narrative bands to become independent statues, need not, as the ancients amply demonstrated, be considered extraneous. Sculpture, both in bas-relief and in the round, has almost universally proved an element not to be divorced from architecture. Later in a nation's development, and invariably as a civilization becomes more elaborately sophisticated or wanes into the profuse flowering of decadence, the field broadens, grows more complex, encouraging the production of innumerable detached adornments for the homes of the wealthy. This lush heyday perhaps attained its most prolific expression in the Rome of the Caesars. When such proportions are reached it is easy to lose sight of the original rôle sculpture played in the architectural scheme. Nor is sculpture viewed as a wholly independent form of art to be dismissed as inconsequential — far from it. Nevertheless, we perceive, permitting history to be our guide, that architecture and sculpture are united by the bond of an intimate and major relationship.

What happens when we juxtapose this long historical sequence and the problem of our own age and our own country? It becomes immediately evident that, like the Egyptians and the Greeks and the Assyrians, we must bring about, if anything really significant and harmonious is to result, a relationship that shall betray the essential function neither of architecture nor of sculpture. Both have been plentifully betrayed here in the last half-century. Downtown New York, for example, is riddled with strange and grotesque misfits. Consider the weary crouched figures holding up the old St. Paul Building — anachronistic, to say the least, in an age whose labor is performed by the machine. Yes, we must decide, caryatides, whether placed upright or on bended knee, are pretty sure to be *de trop* on a modern American façade. Half-way up the face of another New York building, this one in Park Row, stand figures that, a trifle too serene to be quite medieval, do absolutely nothing to help keep the structure from collapsing. These figures, each on its protruding platform, seem merely to be stepping out to take the air; nor have they been placed high enough to make the view anything to brag about. And again we decide, attempting to evaluate such sculptural futility, that grave danger besets the modern American architect who sanctions the inclusion of detached superimposed ornamentation.

Has sculpture any place at all in

twentieth-century American architecture? This pivotal question cannot be more than posed at this time. We do not yet know. However, it is safe to venture the speculation that few of the accustomed sculptural forms will prove adapted to this new machine-age style of the builder. Carved arabesques around doorways and elsewhere have been incorporated, often without disastrous results. Then there is the bas-relief. Lee Lawrie, for one, appears to have achieved some success in work of this sort on the new Nebraska State Capitol and the Los Angeles Public Library. True, the spirit of this sculpture seems less American than — shall we say? — Assyrian; but in principle it constitutes a modern effort that will bear watching.

In his exhibition last season William Zorach showed a frieze design proposed for the Los Angeles City Hall. Mr. Epstein perhaps does not know about this as yet. It is an ambitious project which still waits upon appropriations. The specified space on the façade of the building will accommodate a frieze ninety feet long and nine feet high. Mr. Zorach achieves in the carrying out of his design something that, in the manner of today, approaches Greek universality. Telling the story of the rise of civilization in California from earliest times to the present, the sculptor has so conceived his narrative that it is irradiated with a kind of splendid timelessness. Hitherto in dealing with allegory and symbol our sculptors have, almost without exception, entered upon an orgy of sentimental and inflated bombast, just as have our painters of murals. Mr. Zorach shuns these evils, and handsomely proves that, if there be found room for such decoration in the scheme of modern American architecuture, sculpture of the right sort need not be sought in vain.

The field is still largely unexplored. This much seems certain—until there is a sincere and deeply pondered demand for architectural sculpture—until fundamentally the social need is expressed—our sculptors should not be called upon. Haste will get us nowhere. The thing, if done at all, must be done superbly. Inclusion must be vital, inevitable, or something worse than the lathering on of "period" camouflage will result. To tell the truth, American sculpture is, like the whole social organism, at present in a state of transition. That, however, is not an issue over which we need lose sleep. Transition girdles the civilized world today, and such charges as Mr. Epstein launches may with nearly as much point be directed toward any other quarter.

What about American sculpture that is less immediately or not at all related to architecture? Really fine pieces are being produced, but they tend to be lost in the shuffle. Standardizing foundry multiplication, plus adroit salesmanship, scatters far and wide the plastic thoughts of enterprising little sculptors—hundreds, maybe thousands of them — whose training has been purely academic and whose souls are set upon the attainment of counterfeit sublimity or prettiness, or even, alas, just cuteness. The vast sculpture show out in San Francisco a few years ago revealed little of any consequence. Annual visits to the exhibitions of the National Academy and kindred organizations become increasingly painful. Often, indeed, one's very credulity is put to a severe test. Nor is such complacently mediocre work confined to the exhibition halls. It stalks abroad through our cities, leaving a trail of trashy memorials, undistinguished portrait statues and monuments not easily classifiable.

Here we see a "Civic Virtue" climbing thickly out of a basin set in front of New York's handsome Colonial City Hall. Now this "Virtue" is a muscular young man (and we all admire athletes), though one ponders in secret whether, by chance, the muscles are more than cleverly fitted gas bags. For an athlete he has a softish look

and, despite a determined beauty of face (which would cause chuckles in the vulgar subway), this "Civic Virtue" seems largely undetermined as to what he had best do next when he has pulled his wobbly legs up out of the ooze. Surely such sculpture is not keeping pace with the skyscrapers. If the sculptor had made his "Virtue" the equivalent of sixty stories high, would the case be bettered? Is anything gained by the theatrical carving of a mountainside into the likeness of a national hero?

But we have done better than this. For example, in the foyer of the newly opened Addison Gallery at Phillips Academy, Andover, has been installed a charming little fountain by Paul Manship. The nude form on its ingeniously contrived base is admirably conceived and wrought. True, like so much of Mr. Manship's striving and decorative work—like the sculptural forms of Lee Lawrie, about which we have just been speaking—this little fountain seems not overwhelmingly to derive from our Western civilization. The same has been true, more or less, of many other prominent American sculptors' work. Examine characteristic examples by Hermon A. MacNeil, Henry Augustus Lukeman, James E. Fraser, Adolph Weinmann, Mrs. Bessie Potter Vonnoh, Karl Bitter, the Borglums, Phimister Proctors (you possibly recall his glorified "Indian Warrior," along with Cyrus E. Dallin's "Medicine Man"), and try to decide to what extent their technical equipment expresses the gradually shaping philosophy of this hemisphere. The list of prominent sculptors contains many more names than we have space here to mention. There are Charles Grafly, Lorado Taft, Charles Keck, Edward McCartan, Robert Aitkin, John Gregory, Gleb Derujinsky, Gertrude Vanderbilt Whitney—scores besides. These have done very able and even distinguished work; but many of our sculptors are likely to find themselves hauled upon the carpet by Jacob Epstein's recent pronouncement.

This raises the interesting and disturbing question, Are we producing any sculpture that is preponderantly and unmistakably American? This question, like that relating to sculpture's place in modern architecture, cannot be answered by him who reads as he runs. While agreeing, enthusiastically enough, that Mahonri Young's well-known boxing and wrestling groups may be called quite as American as similar themes in paint by George Bellows, we should constantly beware of being too much swayed, in sculpture as in painting, by subject-matter which, esthetically considered, is of secondary importance. If every one of our sculptors was to turn out a realistico-symbolic "Pioneer Woman," that would not necessarily mean that we had achieved overnight an American school. Now and then, examining a piece of sculpture, we feel instinctively that it is American through and through. But such sculpture is sure to be found embodying qualities that lie far deeper than the stratum of "theme," however intrinsically native that theme may be.

The rude forms that emerge from common field stones carved by one of our most interesting contemporaries, J. B. Flannagan, may appeal to us as more intensely a product of "place" than even Augustus Saint-Gaudens's "Puritan," which, though persuasively redolent of Colonial days, wears also the smooth "look" of the European atelier. As a matter of fact, this question of art's nationality, as I have elsewhere repeatedly noted, leads us on to very treacherous ground. Before we can have a "school" of sculpture we must doubtless have a more profoundly realized national reservoir upon which to draw. In the end one always returns to the social picture, for out of social resources and ever in obedience to social demands art with any sort of collective attributes can alone arise.

Certainly the skyscrapers have set

an American precedent that in essence is bound to challenge sculpture, academic or not, that reflects the spirit of prior times. As belonging in the vanguard of this new movement we cannot now consider such gentle nineteenth-century "idealism" as that of men like Daniel Chester French or Paul Wayland Bartlett; the "realism," very often grandiose and sometimes strangely moving, of men like George Gray Barnard; the immaculate refinement of a Herbert Adams; the artificial romance of a Frank Edwin Elwell; the "modern classicism," so called, of Frederick W. Ruckstull; the pseudo-Greek of John Donoghue, and many more. "Spiritually," let us say, such men do not inhabit the realm of the American skyscraper. More qualified to make marble and bronze and wood speak in the idiom of today (and perhaps of the future) seem sculptors like William Zorach (whose "Mother and Child" is surely one of the noblest plastic expressions of our age), Robert Laurent, Gaston Lachaise, Archipenko, J. B. Flannagan, John Storrs, Allen Clark, Isamu Noguchi, Reuben Nakian and others. Occasionally, too, a man of the older school, like Sterling Calder, gives evidence of a capacity to keep abreast of the modern plastic tide (witness Mr. Calder's powerful "Leif Ericsson," just completed, which our government is sending over to Iceland).

After all, a generation that can show even a handful of sculptors preëminently equipped to express, in one way or another, in greater or less degree, the tempo and character of that generation is not bereft of hope. "In America," observes Mr. Zorach, "a few sculptors of real value are working, by whose work this age will be remembered when all the rest have been forgotten"; and "if great sculpture is developed in this age, it will come through individual sculptors, not in a popular movement." Perhaps for the time being at least we had better not let ourselves be too greatly troubled by Mr. Epstein's lament. And while we are about it, why not urge Jacob Epstein to come back home and help us grow up to the skyscrapers? He is, despite all these years of residence (and broil) in England, incorrigibly American still.

The Soviet Way With the Criminal

By ARNOLD MARGOLIN

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EXTENSIVE liberal reforms first began to appear in Russia during the reign of Czar Alexander II. At that time a complete change occurred in the organization of the courts, trial by jury was introduced for major crimes, and a modernized criminal procedure was instituted. These so-called "Court Statutes of 1864" established a system similar in many respects to the French judiciary and the French Code of Criminal Procedure. Nevertheless, the antiquated Russian Penal Code of 1845 remained in effect practically until the abolition of the Czarist Code by the Soviet Government in 1917. A new Russian Penal Code, adopted in 1903, resembled those of Western Europe, but only one part of the Code of 1903—that relating to crimes against the Czar and his family or against the imperial régime—was actually in effect.

The beginning of the Soviet rule in Russia was a time of civil war and chaos. No certain written law existed. The "revolutionary conscience" of the Soviet tribunals was practically the one source of law, until the Soviet Penal Code of 1922 attempted to establish a fixed procedure. When the Constitution of the Soviet Union was adopted by the Congress of Soviets in January, 1924, it became necessary to revise all Soviet codes in order to bring them into harmony with the system of government.

The newly created "Union" consisted of several Soviet republics—there are seven at the present time—which were described by the Constitution as "possessing sovereign rights." While the Constitution provided for an omnipotent Central Executive Committee as the legislative and administrative organ of the State, and for Central Executive Committees as the Legislatures for the seven republics, each of the Soviet republics had to create its own legal codes. The Russian Socialist Federated Soviet Republic, the largest of the republics in the Soviet Union, adopted its Penal Code in 1926, a code which has been followed almost exactly in the codes adopted by the six other Soviet republics.

The Soviet interpretation of the real character of a crime and of the justification for punishment by the State differs widely from that in other civilized countries of the world. The so-called malice or the old Roman *dolus*, the "bad-will" of the culprit and his responsibility for acts committed, remain the foundation of the structure and classification of crimes in the penal codes of the Western world. A deterministic view, with denial of the existence of free will, has penetrated only into textbooks on criminology and penology. Penal codes have been based upon the belief that, as a rule, a human being is responsible for his own acts and must undergo privations and sufferings if he commits acts regarded as crimes.

The Soviet Penal Code, on the other hand, attempts to depart from the old approach to crime. Soviet jurists hold the view that no one standard of honesty is accepted by all human society. The Soviet theory is purely deterministic; all human actions are

predestined and talk about the free will of the individual is but the invention of the capitalist class. Harm and injury to the interests of the working class and to the Soviet régime, it is maintained, are the only foundation for a permanent or temporary elimination from society of persons who are guilty of such behavior. Thus the word "punishment" is omitted in the Soviet code; instead are substituted the four words: "measures of social defense." "These measures," explain Soviet jurists, commenting on the general part of the code, "do not fix as their aim revenge or punishment, and cannot have as their end infliction of physical pain or degradation of human dignity." The Soviet lawmakers consider a person who endangers the interests of the Soviet régime as nothing more than a diseased part of the State organism which must be eliminated for the sake of the whole body.

Any act directed against the Soviet régime is held as "socially dangerous" during the "transition period to communism." The Supreme Court, without making any attempt to fix the approximate duration of this period, considers it "an entire historical epoch." Questions of intent or guilt are secondary. If, by the time of trial, a concrete action which is regarded as a crime by the Soviet code has lost its dangerous character so far as the Soviet régime is concerned, then such an act does not warrant the application of "measures of social defense." Such discretionary powers in the courts convert judges into legislators *ad hoc*.

A statute of limitations in the Soviet code sets a limit to the period in which a crime can be prosecuted. In cases of "counter-revolutionary crimes," however, the application of this statute is at the discretion of the court. Moreover, "socially dangerous acts" which are not foreseen or covered by existing provisions are to be judged by the application of other sections of the code.

Most of the "measures of social defense" are equivalent to the traditional methods of imprisonment. The old names of the Siberian *katorga* prisons and of other types of Russian prisons have been respectively changed to new names—correctional labor camps *in far regions of the Union*, and general places of seclusion. The Constitution of the U. S. S. R. did not abolish attainder, so this "measure of social defense" remains. The genuinely new measures are: (1) Declaration of being an enemy of the working people, followed by banishment from the U. S. S. R.; (2) prohibition from engaging in one or another activity or industry; (3) forced work "without taking away freedom." The first of these measures is almost never applied, as exile from Russia is not likely to be punishment to the "enemies of the working people." The last measure is not exclusive to the criminal code. Forced work "without taking away freedom" is also a feature of the Soviet Code of Labor, which establishes "labor conscription" for all citizens "in extraordinary cases." Such, for example, is a "lack in labor power for the fulfillment of most important State plans." There is no doubt that the five-year industrialization plan, as well as the collectivization of the farms, come within the category of "the most important plans."

Capital punishment is decreed in Section 21 of the general part of the Penal Code as an extraordinary measure of defense of the State against the high crimes enumerated in the special part of the code. It is pointed out in this section, as well as in the decisions of the Supreme Court, that execution is but a "temporary measure" which will be applied only until it is abolished by the Central Executive Committee of the republic. As in the entire criminal code, such measures are regarded by their authors and the Supreme Court as only for the transition period from capitalism to

communism. As the Supreme Court has declared, the society of the future will exclude the "necessity of a special power for compulsion, and, consequently, there also will be no necessity of criminal law."

The Soviet courts in theory are guided not only by the declarations of the general and special parts of the code but by "their socialistic conscience of justice." Crimes are divided into: (1) Those directed against the foundation of the Soviet régime, and (2) all other crimes. For the first group, which is regarded as most dangerous, the code in its special part states the minimum below which the courts cannot fix the degree of "social measure." For all other crimes the code establishes only the maximum of seclusion, fines, &c. To the customary series of aggravating circumstances, Section 47 adds the following: (1) If the aim of the crime is the re-establishment of the power of the bourgeoisie; (2) if the crime might even indirectly bring harm to the interests of the working class, and (3) if the crime was committed because of greedy or base motives.

The introduction of "motives" into the code has been commented upon in one of the decisions of the Supreme Court. "By nature," says the court, "man did not have such base instincts as we see in contemporary society. With the development of property, anti-social and selfish inclinations begin to develop, and the domination of capital brings them to a culmination. Base motives, from the point of view of the Soviet Criminal Code, are greed, jealousy, envy, vengeance. Dueling is regarded as base, a remnant of the feudal-gentry tradition."

The general part of the Soviet Penal Code contains progressive measures, such as conditional condemnation, suspended sentences and conditional liberation before the expiration of the term of imprisonment. Most of these, of course, are present in modern penal legislation throughout the Western World.

The ten chapters of the code's special part relate to: (1) Crimes against the State; (2) crimes against the existing régime; (3) crimes of State employes; (4) infringement of the laws separating the church from the State; (5) "economic" crimes; (6) crimes against life, health, freedom and dignity of person; (7) "property" crimes; (8) actions against rules safeguarding the people's health, social security and order; (9) crimes against military discipline; (10) maintenance of anachronistic social customs.

There are twenty sections describing possible crimes against the State and the régime for which capital punishment may be applied. Persons who have counterfeited metallic money, treasury notes or other valuable State papers, or have sold falsified currency, or have counterfeited foreign money are subject to the death penalty. Besides uprisings against the Soviet Government, any action which is directed toward the weakening of "the fundamental economic, political and national conquests of the proletarian revolution" is included in the group of counter-revolutionary crimes. "Because of the international solidarity of all laborers," one section states, "similar actions directed against laborers of any other State, though not a member of the U. S. S. R., are recognized as revolutionary." Even "sabotage," that is, "conscious non-fulfillment of definite duties, or intentionally careless fulfillment of the duties with a special purpose of weakening the power of the government," may cause infliction of capital punishment.

The "killing and intentional mutilation of cattle, also solicitation of other persons to commit such actions with the purpose of weakening the collectivization of rural husbandry or preventing its success," are regarded as crimes against the Soviet régime. The punishment or "measure" for this crime is "deprivation of freedom up to two years, with or without deportation from the locality." The Supreme Court explains that this section can

be applied only toward kulaks (well-to-do peasants), but not toward "middle-class peasants" or "poor peasants."

"Social measures" against State employes who accept bribes for acts or services which are part of their duties are mild—deprivation of freedom for not more than two years. A judge delivering an unjust sentence because of some personal interest may expect "seclusion" for a term of "not less than two years." Forgery of documents is penalized by a similarly lenient "measure." Compulsory work for one year threatens those who teach religion to minors (younger than 18 years) in the State or private schools.

The "social measure of defense" for what would correspond to first degree murder in the United States is solitary confinement for a period not exceeding ten years. Unpremeditated murder, committed as a result of the violence or serious offense of the victim, is punished by a maximum of five years, deprivation of freedom, or compulsory work up to one year. Homicide because of negligence has even a milder "measure." A corresponding valuation is established for different kinds of injuries. Printed libels on conviction may bring a penalty of compulsory work for not more than one year or a fine not exceeding 1,000 rubles (about $500).

The mildness of "measures" applied to crimes against property surpasses the expectations even of those who anticipated extreme leniency in this field on the part of Communists. As in the old Czaristic Criminal Code of 1845, the Soviet code establishes two kinds of theft or larceny: a secret theft and an open theft—in the presence of the owner, "before his eyes." The "social measure" for a secret theft, committed for the first time, is deprivation of freedom or compulsory work for not longer than three months; recidivism brings deprivation of freedom for a period of not more than six months. Theft of electric energy is considered as a still lesser crime; the highest "measure" in this case is but one month's deprivation of freedom. Purchase of stolen goods leads to confinement up to six months or to a fine not greater than 500 rubles (about $250). But if the same crime is committed by a habitual criminal, a considerably higher "measure" is inflicted—up to three years of seclusion and confiscation of property.

The "measure" for open theft is seclusion for not more than one year, or if committed with violence, up to three years, and, if committed by a group, or for the second time, up to five years. The first secret theft of horses or cattle from the working agricultural population is penalized by seclusion for a period of not more than five years. Robbery, banditry and most disturbances are considered as serious crimes and under certain circumstances may bring even the application of the "highest social measure"— execution. Obviously the Soviet power applies the highest "measure" toward these crimes because they represent not only an attack on property but rebellion against Soviet authority.

Embezzlement, deceit for ulterior motives, abuse of confidence and even forgery of documents and usury are not considered as serious crimes by the Soviet code. Extortion is taxed a little higher—deprivation of freedom up to three years.

The last chapter of the special part strives to combat the old customs still prevailing among the primitive, backward racial or national groups in the population of the Soviet Union. Ransom or compensation continues to be paid in some regions by the murderer or members of his family or kin to parents, relatives or kin of murdered persons to escape revenge or legal prosecution. Still in existence, also, is the custom for bridegrooms to pay the family or kin of the bride compensation for the taking of the bride. The compulsory marriage of women or the forced con-

tinuance of the state of matrimony, bigamy and polygamy are other features which have survived in some regions of the Soviet Union. The Soviet Criminal Code evaluates these ancient customs as crimes and applies toward them fines, local deportation, seclusion or compulsory work for short terms.

The Soviet Criminal Code has abolished the old technical division of crimes into two or three categories; there are no "felonies," no "misdemeanors," or other similar subdivisions. The Soviet Code changed the old terminology for the most essential conceptions of criminal law, avoiding the use of such words as guilt, delict, punishment, revenge. The verbal Russian translation of the English word crime is "transgression," identical with the German *Verbrechen.* It has not the specific flavor of the word "crime" and does not evoke association with the conception of guilt or vice. Perhaps for that reason the Soviet legislators saw no necessity for substituting some other word for the purely mechanical, materialistic word "transgression."

The tendency of changing old terms for new ones is not characteristic of Soviet legislators alone. Many authors of modern textbooks and also of modern European codes prefer to speak of the "social danger" presented by the offender rather than of his guilt, of "measures of social defense" instead of punishment. These changes in words, however, do not manifest any real change in the essence of the subjects which are christened with new names. As long as the punishment is proportionally measured by the value of the attacked object, the principle of an eye for an eye seems to continue to be the basis of punishment. As the late German criminologist Karl Binding called it, life, property and other human values are *Rechtsgueter*—legal goods—and they are protected by the law in proportion to their value. A criminal who committed a murder for the first time in his life might be, and often is, less dangerous as to his future behavior than a professional thief. Nevertheless, even the Soviet code applies to murder a higher "measure of social defense" than to repeated larcenies and other minor offenses. Even in the Soviet Union the life of an individual is considered more valuable than private property. On the other hand, the fact that minor crimes against the Soviet Government and the Soviet régime are considered as more serious than murder of private persons may be attributed to the same principle of proportional value. As the Chief State Attorney General, N. V. Krylenko, one of the Communist leaders, stated in his report delivered at the Communistic Academy in 1929, "the interests of the Collective are higher than the interests of individuals during the fight against the socially dangerous acts." The Communist party and the Soviet Government consider themselves engaged in such a fight during this "transition period."

Significant Changes in American Population Growth

By HENRY PRATT FAIRCHILD
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THE population of the United States recorded by the 1930 census showed a smaller percentage of increase for the preceding ten years than in any previous decade in our history, except for the period that included the World War. On the other hand, the aggregate numerical increase was considerably larger than ever before. Shall we say, then, that population growth is a less or a more significant factor in our national life?

The natural reaction of almost all of us is to deal with comparative statistics, particularly vital statistics, in terms of percentages. We think almost automatically of a large percentage as being more significant than a small one, an increasing percentage as meaning just the opposite of a diminishing percentage, and so on. We are likely even to regard a percentage as more important than figures themselves.

A percentage is, indeed, a very useful device when properly handled. It serves to reduce the relationship between two quantities, so large as to surpass comprehension, to a compact and comparable form. It is also useful in revealing trends. For example, when it is recalled that the percentage of increase in the population of this country during the decade 1820 to 1830 was 33.5, but was only 16.1 per cent during the decade 1920 to 1930, it is evident that some change of profound importance has occurred in population growth in the intervening 100 years.

But the indiscriminate use of percentages is likely to lead to many false conclusions, especially in their specific rôle as indicators of trends. It is easy to assume that the size of the percentage is a direct index of the significance of the trend. Thus when one considers the sharp decline in the percentage rate of population increase in the United States in the last few decades—it did not fall below 30 until 1870, nor below 20 until 1920—one may readily contend that population growth is a factor of diminishing importance.

The truth, however, is that if the percentages in question are based on an increasing element which is tending toward a fixed point, the actual numerical increase may be much more significant than the percentages. Thus the percentage increase between 1790 and 1800, 35.1, was more than twice that of the past decade. But the numerical increase of the past decade was more than twelve times as great as that of the earlier decade and more than four times the entire population of the country in 1790. If, as many authorities believe, the population of the United States will be stabilized between 150,000,000 and 200,000,000, the rate at which the remaining interval is filled is more important than a comparison with the larger percentages of increase in the past would seem to indicate.

The real importance of population growth is to be found in its relation to the area, resources, fertility and general supporting power of the region controlled by the society in ques-

tion and to the resultant standard of living. The really vital fact about the census returns is that we are now requiring our land and our economic system to support over 17,000,000 more people than ten years ago. If this process is continued, regardless of percentage rates, in less than eighty years the country will have to provide for twice as many people as at present. On the other hand, if our population is to be stabilized at 150,000,000, the complete cessation of growth will come with a catastrophic suddenness that can hardly fail to disorganize the entire social system.

Another prevalent fallacy in the use not only of percentages but of vital statistics generally is the assumption that the phenomena and the curves constructed upon them are governed by some constant and immutable forces and factors and that the trends discovered can be counted upon to continue. Actually, vital statistics and their various graphic representations are only convenient expressions of the experience and behavior of human beings living in society. Anything that alters the conduct of these individuals will modify the statistics.

During the past decade two very important changes in behavior have occurred among the human beings who affect our census returns. The results of both are clearly reflected in the reported data. The first is the decline in the birth rate, the second the reduction of foreign immigration.

The following table shows the crude birth and death rates in the registration area of the United States during the last sixteen years:

Year.	Birth Rate.	Death Rate.	Year.	Birth Rate.	Death Rate.
1915....	25.1	13.6	1923....	22.4	12.2
1916....	25.0	14.0	1924....	22.6	11.7
1917....	24.7	14.3	1925....	21.4	11.8
1918....	24.6	18.1	1926....	20.6	12.3
1919....	22.3	12.9	1927....	20.6	11.4
1920....	23.7	13.0	1928....	19.7	12.1
1921....	24.3	11.6	1929....	18.9	11.9
1922....	22.5	11.7	1930....	18.9	11.3

From this table it is apparent that while the death rate has remained nearly constant during the last ten years, the birth rate has fallen quite considerably. The obvious effect of a falling birth rate is to change the age distribution of the population, increasing the proportions in the upper age groups and reducing those in the lower. The percentages of the total population in the different age groups in 1920 and 1930 were as follows:

Age (Years).	1920.	1930.
All ages	100.0	100.0
Under 5	10.9	9.3
Under 1	2.1	1.8
5 to 9	10.8	10.3
10 to 14	10.1	9.8
15 to 19	8.9	9.4
20 to 24	8.8	8.9
25 to 29	8.6	8.0
30 to 34	7.6	7.4
35 to 44	13.4	14.0
45 to 54	9.9	10.6
55 to 64	6.2	6.8
65 to 74	3.3	3.8
75 and over	1.4	1.6
Unknown	.1	.1
21 and over	57.6	59.4

Thus in each of the groups up to 14 years there was a smaller proportion of the population in 1930 than in 1920. In all the higher groups there was a larger proportion, with the exception of the groups 25-29 and 30-34, a discrepancy probably accounted for by the losses of young manhood during the World War.

It is particularly striking that there were actually fewer children under 5 in 1930 than in 1920—11,444,390, as compared with 11,573,230. If this represents a trend which may be expected to continue, and which is not merely a consequence of the reduction in the age groups, 25-34, here is a definite forecast not only of a slowly growing or stationary but of a declining population. If the death rate does not change there will be fewer young people between 20 and 25 to marry and become parents in 1950 than there will be in 1940, and still fewer in each succeeding decade. Facts such as these give substance to the gloomy predictions of the alarmists, but even if a stationary or declining population is inherently a calamity—a highly debatable proposition—it does not follow necessarily that fewer babies will be born twenty-five years hence. In

the first place, scientific and medical changes may enable a larger proportion of the infants of today to reach maturity; secondly, social attitudes and sanctions may alter so as to encourage the next generation to increase its rate of fecundity. Vital statistics, of course, are merely the reflection of human behavior, and no phase of social conduct is more sensitive to environmental and social conditions than child-bearing. If the society of the future needs more children it will find ways to have them.

Another interesting feature is the marked decline in the rate of population growth among the Negroes. The percentage rate of increase for the whites was 15.7;* that of the Negroes 13.6. Expressed in another way, the percentage of the total population classed as Negro in 1920 was 9.9; in 1930 it was less than 9.7. This decline in the proportion of the colored stock has been a constant and significant feature of American population history. In 1790 the percentage was 19.3. Since all persons with any Negro blood are classed as Negroes, the decline in the actual proportion of Negro stock must be even greater than the figures indicate.

The percentage increases of the other non-white races are somewhat startling, as this table shows:

Race.	Number 1920.	Number 1930.	Per Cent of Increase.
Negro	10,463,131	11,891,143	13.6
Mexican	700,541	1,422,533	103.1
Indian	244,437	332,397	36.0
Chinese	61,639	74,954	21.6
Japanese	111,010	138,834	25.1
Filipino	5,603	45,208	706.9
Hindu	2,507	3,130	24.9
Korean	1,224	1,860	52.0
All other	154	780	406.5

Numerically, only three groups show a significant increase—the Mexicans, Indians and Filipinos. The increase in the number of Indians may be due partly to increased precision in enumeration, though the more complete figures promised by the Census Bureau may reveal some interesting facts. The increase of Mexicans and Filipinos is of sufficient suddenness and magnitude to deserve careful consideration. Undoubtedly it is connected more or less directly with the decline in European immigration. To the extent that it represents the substitution of individuals of these races for potential European immigrants, it helps toward an understanding of the objection of certain foreign nations to our quota law and also adds weight to the arguments in favor of giving a more general scope to the quota provisions.

The decline in immigration is responsible, directly and indirectly, for a number of other important population changes. The total immigration for the decade was 4,107,209, which is considerably smaller than that of the war decade, 1911-20, and less than half the figure for the decade 1901-10. The total emigration of aliens during the last decade was 1,045,076, leaving a net immigration of 3,062,133. As a result the percentage of the total population classed as foreign-born white in 1930 was 10.9, the lowest recorded in any census year since 1850. Indeed, as the percentage of increase was only 8 per cent, the foreign-born total was virtually the same at the end as at the beginning of the decade. The increase was concentrated in the Middle Atlantic and Pacific divisions; all other divisions showed a decrease. The long, successful fight for immigration restriction has begun to show results.

Various other consequences of a secondary nature are apparent. Thus, while the native population of foreign parentage showed an increase of only 9.5 per cent, the native-born of mixed parentage increased by 20.8. Apparently, curtailment of immigration is promoting marriage between foreign-

*An element of irregularity has been introduced into the comparison of this census with preceding ones by the fact that in 1930 the Mexicans were given a special classification instead of being included, as formerly, among the whites. The reports of the Census Bureau cover this situation by furnishing figures and percentages of increase, adjusted on the basis of a similar classification of Mexicans in 1920. These adjusted figures are used throughout this article.

ers and natives, one of the important indices of assimilation. Similarly, the foreign-born population is approaching a more normal sex distribution. In 1930 there were 115.1 males to every 100 females in this group, as against 121.7 in 1920. Naturally, the foreign-born element is older on the whole than ten years ago. There is a diminution in the proportion of young children, while the age group 35 to 64 accounts for exactly three-fifths of the entire number. Only 15 per cent of the native whites of native parentage were included in the age group 45 to 64; 36.1 per cent, or 4,821,774 individuals, of the foreign-born white element were in this class. Obviously this enormous number of foreigners who are beyond the economic prime of life is intensifying the unemployment situation. It is one of the penalties for a too liberal immigration policy in the past.

Other encouraging indications of the progress of assimilation are afforded by the figures of citizenship, illiteracy and marital condition. Compared with 1920, the citizenship figures on the basis of percentage are as follows:

	1920.	1930.
Total	100.0	100.0
Naturalized	48.7	58.8
First papers	9.2	9.3
Alien	36.3	28.3
Unknown	5.8	3.5

The illiteracy of the general population, 10 years of age and over, has declined from 6.0 in 1920 to 4.3 in 1930, while the figures for the corresponding foreign-born white element show a fall from 13.1 to 9.9.

The figures of marital condition are particularly illuminating. In 1920 the percentage of unmarried in the total population, 15 years old and over, was 35.1 for males and 27.3 for females. In 1930 the corresponding figures were 34.1 and 26.4. The married percentage in 1920 was 59.2 for males and 60.6 for females; in 1930 it was 60.0 and 61.1. In both sexes there was an increase in the percentage of divorce, but as both figures were below 1.5 per cent, the "divorce evil," to the extent that it is a reality, would seem to express itself in remarriages rather than in unmarried individuals.

This decrease in the proportion of single persons and the increase in the married illustrate a popular misconception of an elementary aspect of vital phenomena. There is a prevailing impression that we are becoming steadily a less married people. Yet the proportion of single persons has been diminishing and the proportion of married increasing continuously for at least forty years. In 1890 only 53.9 per cent of the male population was married and 56.8 per cent of the female. The decline in the rate of population growth, apparently is being accomplished not through a reduction in marriages, but through a diminished fecundity within the marriage bond. The change of the last decade is not to be accounted for by an increased "maritality" of the foreign-born. The foreign-born are very much married—in 1930 the figures were 70.8 per cent of the males and 70 of the females, and the proportion increased during the last ten years—but the figures for the native-born, both male and female, also increased.

Apparently two decades of reduced immigration—one the result of war conditions and the other of legal limitation—have produced more normal, and presumably wholesome, conditions in many departments of the national life. If the restrictive laws are maintained, subsequent censuses may be expected to show still more salutary results.

Another trend of profound social significance, which has been conspicuous in the United States as well as in other countries of western civilization, is the shift of population from the rural to the urban districts. In 1920 the urban population was 51.4 of the total and the rural 48.6 per cent, but by 1930 the figures were 56.2 and 43.8. This is an excellent illustration of the

increasing significance of a diminishing percentage. An increase of 10 per cent in the urban proportion when it is over half the total is much more significant than an increase of 100 per cent when it is only one-twentieth of the whole. The concentration of population in cities is a phenomenon of steadily growing importance. That the foreign element is sharing fully in this tendency is shown by the fact that although in 1920 75.5 per cent of the foreign-born were urban, the percentage in 1930 was 80.3.

The remarkable change in the location of the Negro population bears some relation to both the cityward drift and the decline of immigration. Nearly two-thirds of the entire increase of the Negro element during the past decade occurred in the North, which showed a percentage increase of 63.6. The percentage in the West, with a small total in any case, increased 53.1, while the increase in the South was only 5.0 per cent. The change is to be explained primarily by migration rather than by any difference in fecundity, although at present it is impossible to determine how the rates of natural increase between the North and South compare. The prevailing impression in the past has been that the North is not as favorable an environment for the increase of Negro stock as the South. If this is true, the drift of the Negroes to the North may eventually prove a means of still further reduction in their total rate of increase.

As an index of the changing character of American life, perhaps no feature of the census returns is more significant than that dealing with gainful workers. During the past twenty years there has been a continuous decline in the proportion of the population, ten years of age and over, in that class. In 1910 the percentage was 53.3; in 1920 it was 50.3 and in 1930 it was 49.5. This is undoubtedly a reflection of the tendency, characteristic of the modern industrial system, to use a continually smaller proportion of the potential labor force in its productive activities. Still more striking is the tendency to substitute female labor for male. The percentage of males, ten years and over, engaged in gainful occupations declined from 81.3 in 1910 to 78.2 in 1920, and to 76.2 in 1930. The percentage of females of corresponding ages, on the other hand, increased from 18.8 in 1900 to 21.1 in 1920 and 22.1 in 1930. (For technical reasons, the figure for females in 1910 is not comparable.) Taken in conjunction with the increase of marriage and the decline in the birth rate, these facts give us a clear picture of the typical American family as one in which the burden of breadwinning is being shifted more and more to the women, in return for a diminution in the burdens of child-bearing and child-rearing.

Changes of tremendous significance are taking place in the social and economic life and organization of the American people. Some of them are doubtless salutary. Others are fraught with difficulty if not with danger. But all alike create acute problems because of the speed with which they are occurring. The constantly accelerated rate of social change is familiar to all students of social affairs. Alterations of a magnitude that would have required generations in the Middle Ages, and centuries in a still earlier time, now occur within a decade. The strain of both social and personal adjustment becomes almost intolerable. Every deficiency in personal adjustment creates rifts in the whole social structure. Never before was there so great need of scientific social research, and of intelligent and responsible social attitudes on the part of individuals.

The Average American and the Depression

By GERALD W. JOHNSON
Author of "Andrew Jackson" and "Randolph of Roanoke"

IN the mind of the average American 1931 was the year of the Great Depression, for it was in this past twelve months that it really affected us who are just ordinary people, not international bankers, not financiers of any sort, not great executives and not derelicts who are chronically on the verge of unemployment in all years. In so far as the great lords of business are concerned, the depression goes back much further. Business began to die on their hands in 1928. When the hurricane struck the stock market late in 1929, the speculators felt it first. The least efficient 10 per cent of labor were flung into the breadline in 1930. But not until 1931 was the slump really brought home to the thrifty, hard-working and efficient element, though there were genuinely good men who were beginning to suffer in 1930, and even in 1929. Yet taking it by and large, it is true that the year 1931 was the one in which the sturdiest element of our population began to realize keenly the full seriousness of the depression.

I live in a street that, I believe, is a representative cross-section of the American middle class. A banker lives at one end of our street and a carpenter at the other. But the banker is merely a junior officer in a great financial institution, not its head, and the carpenter is just a carpenter, not a cabinetmaker. In between is an assortment of insurance solicitors, clerks, employes of a big nursery near by, and so on. Around the corner is a physician who is not one of the city's world-renowned specialists, but merely a general practitioner. Not one of us is rich and not one of us, as yet, is dependent on the Community Fund.

The depression came to our street in 1931. We had heard a great deal of talk about it earlier, and had felt some of its effects; but it did not actually affect us until last year. And how has it affected us? Frankly, we are scared. However, we had seen it coming and had had time to brace ourselves, so that we are not exactly stampeded. We are somewhat resentful because we think the depression has been made worse than it need have been by the stupidity of our rulers; but we know very well that Mr. Hoover did not create the panic. We are to a certain extent gloomy, but we are by no means in despair. That is to say, we are persuaded that we are going to have to sweat for the next six months, but we do not believe for a moment that the hard times are going to continue for the next six years. And perhaps the most remarkable effect of all is that we are very tired of humbug.

If our street is as good a sample of America as it seems to be, our condition must be shared very generally by our class all over the country. If that is the case, it is not unreasonable to assume that the behavior of the American people in 1931 is much more significant as a revelation of the national character than in any of the earlier years of the slump. The bewilderment, the blind panic and the incredulity aroused by the first crash had had time to subside. The false hope that

it was all a flash in the pan, a mere "market reaction," had been dissipated. It was a year of stark reality, after living in a fools' paradise, and our reaction to it will unquestionably be of deep interest to future historians.

It is folly to attempt to anticipate the verdict of history, but certain characteristics of the attitude of the people in this past dismal year are so conspicuous that one can hardly misjudge them, even at this short distance. One is the relative tranquillity with which they have accepted the situation. The bread riots of 1837, with soldiers patrolling the streets of New York, have not been repeated, nor have we seen anything comparable to the Pullman strike of 1893. Still further from our present mood is the bitterness generated in 1873, which led us, three years later, to the verge of civil war; 1931 was a hard year, but it saw no bayonets, heard no firing in the streets, afforded no hint of the dissolution of our institutions, such as characterized '93, '73 and '37, the only years in which our people were subjected to a strain of equivalent intensity.

This is the more remarkable when in all the rest of the world revolution is the fashion of the day. Not only has Europe been rent and racked politically by the impact of the hard times but on this side of the Atlantic there is hardly a government left standing in Latin America as it stood before the depression began; even such comparatively stable republics as the A B C powers have not withstood the strain. But our Union is, if anything, more firmly established today than it has been at any time since 1865. The depression has, of course, its political repercussions in the United States. Mr. Garner of Texas, sitting in the Speaker's chair of the House of Representatives, is striking evidence of the fact. But the political effects in this country have been orderly. Even if the Democrats sweep the country in November, as now seems quite possible, that is an entirely different thing from the emergence of a Hitler, not to mention a Lenin.

Optimism over this should be seasoned with caution, it is true, for our street has been feeling the full force of the depression for a much shorter time than the equivalent class in Germany felt it before Hitlerism became a serious threat. If the Democrats should win in November, and the depression should continue, then indeed the seeds of revolution might begin to sprout in our streets; but at this date it is plain to the dullest that the revolutionists have gained no following worth mentioning in this country. There has been a great outcry against the Reds, and some persons profess to be very much frightened by them; but the sober truth is that their American campaign has fallen flatter than their campaigns in any other country. To date the capitalistic system seems to be as firmly entrenched in America as the Republic itself.

At the same time, while substantial Americans—and by that is meant the great mass of families whose incomes range between $2,500 a year and $25,000 a year—are not cherishing any serious doubts about capitalism, they have developed a new and decidedly critical attitude toward certain details of the capitalistic system as it has been developed in this country. For one thing, the whole pantheon of their idols has been demolished. The Big Business Man, like Samson, has pulled down the pillars of the temple and it has fallen upon his own head, or if he has not pulled them down, then he certainly has failed to prop them up, and he is pretty well buried under the ruins. It will be many a long day before Americans of the middle class will listen with anything approaching the reverence they felt in 1928 whenever a magnate of business speaks. We now know that they are not magicians. When it comes to a real crisis they are as helpless as the rest of us, and as bewildered. We have discovered the dismal and faith-shattering truth that in times like these

such men as Henry Ford, Charles M. Schwab and J. P. Morgan have trouble enough in solving their own problems without attempting to rescue the whole country.

This is a genuinely painful experience, as the demolition of idols always is, for our worship of the business leaders and our faith in them had gone to inordinate lengths. Vast numbers of us actually believed the gospel of the New Economic Era, actually believed that our post-war prosperity had been created by American business men, instead of being thrust upon them by a combination of economic factors of world-wide scope. And while we believed it was their creation, we believed that they could preserve it. Apparently they had successfully controverted the gnarled and knobby truths set forth in *The Wealth of Nations* by Adam Smith in the year the Declaration of Independence was signed; and the fact that they had seemed to do so was so delightful that it was easy for us to accept it.

Now we realize that it was all illusion, that the law of diminishing returns never has been repealed and that it is as true today as it was in 1776 that what goes up must come down, no matter how many great business men of the New Economic Era decree otherwise. We are therefore less inclined than at any time since Armistice Day to listen with bated breath whenever one of the Great Men of Business unburdens his mind on any subject under heaven. Doubtless most of us are still willing to give them credit for the ability which each has demonstrated, but that is all. We admit that Henry Ford is an excellent maker of automobiles, that Charles M. Schwab is an authority when he speaks on steelmaking, and that Mr. Morgan should be listened to on matters of finance. But in 1931 it was much less thrilling than it was in 1928 to hearken to their views on art or morals or politics. Since even in their own field of business they cannot work magic, why. then, attach any importance to their ideas in other fields?

The men one met on our street in the closing days of 1931—that is, the relatively less important—had had their faith in all sorts of magic almost completely shattered. If they no longer believed that some conference of captains of industry in Wall Street would set everything right again, they had not much more faith in any other group of necromancers. The vocal element of the country, most conspicuously represented by the politicians, is splitting into two camps, one holding with Mr. Hoover when he says that the United States is a self-contained nation whose hope lies in its own "rugged individualism"; the other holding with Mr. Hoover when he says that we are victims of world-wide economic conditions beyond our control. One side or the other may prevail at the polls next November and launch the country upon a policy based upon its particular philosophy, but it is doubtful if either represents the real opinion of the great mass of us who are not involved in politics, and whose rating in Bradstreet's is too low to permit our voices to sound loudly in the business world. In the past year we have been sharply reminded that one must be respectful of facts in this world, and that the most beautiful theories seldom work out as their proponents argue.

"Rugged individualism" is a beautiful theory, and so is internationalism, but does the average American believe implicitly in either? That is highly doubtful. The average American is not the man he was three years ago. He has aged with great rapidity since that 16,000,000-share day on the Stock Exchange, and one characteristic of increasing maturity is increasing disbelief in fairy tales of any kind. We who march in the ranks of skilled workmen, small business men and undistinguished professional men are sometimes capable of astounding feats of credulity, but we are not altogether fools. Three years ago we were marching in a grand and gorgeous parade, and were more or less delirious; but

when brickbats began to fall on us, we grew sober with remarkable speed. Being quite sober now, most of us are well aware that the predicament we are in is a highly complicated one, and we do not expect a solution from any simple remedy.

There are not many perfervid optimists among us now. Business men who are barely keeping their heads above water, wage earners who count themselves lucky to be working four days a week, and white-collar men whose salaries have been cut 10 to 40 per cent are not easy converts to the gospel of the booster. The mass of substantial Americans have ceased to hope for any short or easy way out of our present difficulties. Though they are readier than they have been for many years to listen attentively to the man who can support his arguments with exact facts and figures, they have not much patience with theorists who assert that all our troubles can be cured overnight simply by proclaiming the brotherhood of man, or that the foreigners are responsible for all our woes. Buncombe was at a considerable discount as the memorable year of 1931 drew to a close.

Every newspaper reader knows that nationalism gone mad and senseless tariffs have been interfering with international trade, and thereby hampering prosperity, ever since the war, and that the United States has been somewhat addicted to both. But the average American sticks stoutly to the belief that a wilderness continental in size was not converted into the mightiest of modern nations by a race of weaklings; and that what Americans did once, surely they can do again. It seems probable, therefore, that the bulk of us do not hold with Mr. Hoover either when he asserts that we are a self-contained nation or when he asserts that we are the innocent victims of world forces completely beyond our control.

The American people, after all, participated with gusto and energy in that most extraordinary phenomenon of our times, the unprecedented prosperity boom that came before the slump. Dabblers in the stock market between 1924 and 1928 were everywhere. In all our wide domain there was hardly a hamlet so forlorn that it had not one inhabitant who took to stock gambling; and practically every town that had as many as two automatic traffic lights had also at least one branch office of some stock-broking firm. Let no one imagine that these people are in any doubt now as to what they were doing in those days. In 1928 they probably deluded themselves into believing that they were calm and prudent investors, participating in the unexampled prosperity of the New Economic Era. But today they know they were gambling like cowboys on a spree. They know, too, that this nationwide gambling precipitated and intensified the crash; it is therefore idle to tell them that they are wholly innocent victims of something that happened in Europe, Asia, Africa, Australia and the islands of the sea. They know that they helped bring about the crash.

On the other hand, they know that our towering tariff wall rose to its greatest height with the Smoot-Hawley tariff, which was enacted just after the boom ended, but which has not so far restored prosperity or mitigated the depression. It is therefore equally futile to tell them that all we need now is to erect a still higher tariff wall.

The international debt situation with its attendant currency tangle is quite beyond the understanding of the average American. He has no special knowledge of finance. Yet he knows that our possession of half the gold in the world did not save us, so that it is hard for him to believe that squeezing more gold out of Europe will greatly assist our situation. On the other hand, the average American knows that we borrowed the money we lent to Europe during the war, that somebody has to pay it back and that if Europe does not we must.

Thus we are open to argument. There probably are reasons for making payment for Europe easier, one way or another. There certainly are reasons against canceling the debts entirely. But to assume that the majority of Americans have any clearly defined opinion as to the relative weight of these reasons is to assume altogether too much. We are open to argument, that is all—though not quite, since the bitter experiences we have gone through have produced in us a strong inclination to demand that our leaders talk sense and spend less time orating against foreigners on the one hand or in favor of a flabby internationalism on the other.

The year 1931 has been to many of us, perhaps most of us, the cold, gray dawn of the morning after. The great gambling spree is over. The first violent sickness of the reaction also is over—was over before 1931 began. That year was the period of the headache, the grim reality, the struggle to see a ray of light in inky skies. People are never at their best when they are suffering from such aftereffects, and yet it seems that there is in the way Americans have met the situation a great deal of which they have no cause to be ashamed. This still refers, not to the great men of the business world, nor yet to the hoboes and their affiliated species, but to plain, ordinary Americans who in normal times work hard enough and well enough to avoid abject poverty, yet without achieving great wealth—that is, to the backbone of the country.

These people closed the year in a mood that was grim, but a long way from panicky. They are not optimistic in the sense that they view the immediate future through rose-colored glasses. As far as observation permits, they are convinced that for a considerable period times will still be hard. Not many of them cherish any great hopes of renewed prosperity by next Autumn or feel much confidence in any of the political Mad Mullahs who are proclaiming holy wars against this, that or the other dragon of hard times.

These people, on the other hand, for all their appreciation of the unlovely realities of the situation, are not giving a thought even to the possibility of an overturn of the existing system. Many of them who have been Republicans may vote Democratic next November, but that is the full extent of their revolutionary tendencies. They have no more idea of turning communistic than they have of turning Mohammedan. For their fundamental faith in the Republic is not broken, not even seriously dented. They are anything but certain how better times will be brought about, though they know it will involve plenty of hard work, but they have no doubt that somehow the American people will overcome their difficulties and eventually regain a measure of prosperity that may not be so wild as that of the post-war era, but that will have a far sounder basis.

This, indeed, is a great tribute to the essential strength of our institutions. Let there be no mistake about the fact that this country has been made to suffer bitterly. All the bluster has been thoroughly silenced and it plods soberly through gray days. But even so, in the very nadir of the Great Depression, it does not really doubt, it is not really fearful of the future. Under the most terrific strain to which it has been subjected since Gettysburg the Republic stands unshaken.

The great majority of Americans may be depressed and expecting to remain in that condition for some time to come. They may not be well pleased with the way business and government have been carried on, and they may not be at all sure that they know exactly how to remedy the trouble. They may be feeling dispirited. But there is one thing they are not, and that is—beaten.

George Washington: 1732-1932

I—The National Hero

By THOMAS J. WERTENBAKER
Professor of History, Princeton University

"WHEN children and youth hear their parents and neighbors, and all about them, applauding the love of country, of liberty, and all the virtues, habits and faculties which constitute a good citizen, that is, a patriot and a hero, those children endeavor to acquire those qualities. * * * I glory in the character of Washington because I know him to be only an exemplification of the American character." These words of John Adams explain the chief significance of Washington to Americans, not only at the time they were written but today. Washington is our ideal American. His character is lauded in schools throughout the country, in numberless addresses, in thousands of books and tens of thousands of articles. There is hardly a child above 10 years of age who has not a vivid impression of the man and what he stands for.

The United States is fortunate in having an outstanding national hero, and doubly fortunate in the elevation of that hero's character. In Switzerland William Tell, in France Joan of Arc, in Italy Garibaldi, in Russia Lenin, are the great national figures which typify the people's patriotism, but they correspond only roughly to our Washington. England and Germany are each lacking in a supreme hero.

Washington's contemporaries, on the whole, had a very just estimate of the man. His services to the country were understood and applauded. "His was the singular destiny and merit of leading the armies of his country successfully through an arduous war for the establishment of its independence," wrote Thomas Jefferson, "of conducting its councils through the birth of a government, new in its forms and principles, until it had settled down into a quiet and orderly train; and of scrupulously obeying the laws through the whole of his career, civil and military, of which the history of the world furnishes no other example." The admiration for Washington's character was equally great. His patriotism, his honesty, his unselfishness, his soundness of judgment, his patience, his courage, his tenacity of purpose were understood and admired. Those who were closely associated with him, from his slaves to his generals or the members of his Cabinet, revered him as a man, a soldier, statesman and patriot.

We sense this admiration in his choice as President of the Constitutional Convention, in the weight his advice carried in the ratifying of the Constitution, in the universal demand that he be the first President of the United States, in the nation's grief at his death. It is remarkable that Jefferson should have taken the liberty of congratulating him upon his election as President before the news of that event had reached him. "Though we have not heard of the actual opening of the new Congress," he wrote from France, "and consequently have not official information of your election as President of the United States, yet, as there never could be a doubt entertained of it, permit me to express here my felicitations, not to yourself, but to my country."

It is true that Washington did not escape censure and misrepresentation. At times, during the war, he was criticized for his defeats on the field of battle; later, when President, he was accused of "ridiculous pomp," of surrendering American interests to Great Britain, of overstepping the constitutional limits of his office. The Philadelphia *Aurora,* on the day of his retirement, went so far as to declare that "this day ought to be a jubilee * * * for the man who is the source of all the misfortunes of our country is this day reduced to a level with his fellow-citizens." But such utterances bespoke only the violence of party passion and not the sentiment of the people, not even of the mass of Democratic-Republicans. Washington took with him into retirement the veneration and love of the nation as a whole. But this veneration was for the man and soldier rather than for the statesman. In later generations his services during his two administrations came to be better understood and appreciated, but the Washington who faded into legend was clothed in military uniform.

For the Washington legend we have to thank, or to blame, the itinerant writer and publisher, Parson Mason Locke Weems. His *Life of Washington* first recited the story of the cherry tree and similar inventions, which persisted until recent days, and were read and believed by millions of Americans. The book, which went through seventy editions, is crammed with statements which we know to be false, and Weems knew to be false. But these statements created the Washington accepted by the public for decades, the "goody-goody," "I-cannot-tell-a-lie" Washington. Not until the later years of the nineteenth century did Americans rebel against this unnatural, too perfect, lifeless picture and demand to know the man as he really was.

A bevy of historians responded. These investigators, some scientific, others amateurs, began so vigorous an attack on the Weems image that it was eventually entirely demolished. Today the mention of the cherry-tree incident brings a smile to every face, even the face of the school child. In place of the stiff, non-human Washington emerged a real man, a very great man it is true, but a man of flesh and blood, capable of anger, elation, sorrow, love; a man who enjoyed the fox chase or a game of cards and perhaps gave way to strong language when he lost control of his naturally hasty temper. The American public was satisfied. Their hero had emerged from the ordeal of investigation unscathed; the old courageous, unselfish, patriotic, noble Washington had merely awakened into the living man.

People were somewhat bewildered, then, when still another swarm of biographers entered upon the study of Washington. These men, declaring that it was not enough to destroy the ridiculous figure created by Weems, set out to uncover Washington's innermost soul. "If we were to know his secret thoughts, ambitions, enmities," they said, "we would find him, like the rest of us, possessed of many frailties." So they made their investigations so painstaking, so searching that nothing in his life, public or private, could escape them. Every bit of correspondence, every private account, every statement of friend or neighbor, was gone over with meticulous care in their efforts to "expose" the real man.

The picture painted by these biographers is often distinctly unflattering. One tells us that Washington's "inner life was faint," that he "was vain, fond of adulation and power," that he thought in "material terms," that he lacked originality, that his honesty was tinged with shrewdness. Another tries to show him as "the romantic, amorous, love-and-laughter, restless adventurer that he was until national tragedies solemnized him and scared him into a self-protective pomposity." One would make us believe that he was in love with another man's

wife and married Martha Custis for her money. We are informed that Washington was not even a "good general" and that his mistakes were responsible for prolonging the Revolutionary War. These writers consider themselves better qualified to judge Washington than his associates and friends, as they have obtained access to documents kept secret from his contemporaries.

The real historian is at first glance inclined to ignore these "exposures" of Washington. "Of what importance are they?" it is asked. Even should they be true in the main, they do not touch the real significance of Washington's career. No one denies that he won our independence almost single-handed, that without him it would have been difficult, perhaps impossible, to create the nation and launch it upon its remarkable career. What does it matter whether his "inner life was faint," or whether he was vain or lacking in originality?

Yet these things do matter. We are dealing not only with the man who won the Revolution and put the Constitution into operation but with the great national figure around whose character Americans today shape their patriotism. We do not want that figure sullied or belittled by a group of unscientific investigators. If we set before our children, instead of the patriotic, unselfish, far-sighted, magnanimous Washington, the dancing, drinking, gambling Washington or the vain, pompous, self-interested Washington, the nation will be the poorer for it.

When we reproach these writers for their assault on the people's idol they fall back upon the plea of historical truth. "Let us get at the truth," they say, "no matter what it costs. If the heroic Washington can be preserved only by concealing the truth, then it is better that this figure should fall." When you question their facts they present a mass of evidence which has escaped other investigators, often which they themselves have dug up, a stray letter, or a book of accounts, and so forth. Thus, they claim, their Washington, the previously unknown Washington, is based on first-hand, unimpeachable evidence.

Yet the first thing which strikes us is that each of these "real" Washingtons differs from the other. The bewildered public asks itself if the traditional figure so long loved and revered must be discarded for one less perfect, which one must be chosen? This fact points to the inherent falsity of all these new pictures, their lack of proportion. The new investigators, in their enthusiasm over their discoveries, in their anxiety to place them prominently before the public, give them an unwarranted emphasis. The long-known facts concerning Washington, the really important features of his career and character, are obscured by the emphasis placed on minor traits. No man is so great, so perfect, that he can come off unscathed from such a microscopic examination as has been made of Washington. It is remarkable that the blemishes discovered are so few and in the main so inconsequential. But these blemishes will become important if the attention of the public is fixed upon them at the expense of other and more fundamental characteristics.

There can be no objection to pictures which give us a more intimate knowledge of the real man if these pictures are drawn in correct proportion. We love to see him at work on his plantation, inspecting his cider press; superintending the erection of his gristmill; riding over his fields of wheat, tobacco, corn and rye; installing a new weaving machine; watching his men at work on a barn or a shed; we love to ride with him on his fox hunts, sit with him at his game of cards, share his excitement over a horse race, join him in his walk around the Battery when he wished to free his mind for the moment from State affairs, go with him on a fishing expedition up the Delaware. But it is un-

just to Washington, unjust to the millions of Americans who revere him as the embodiment of their patriotism, to pry into his private life and then herald abroad his every defect.

Fortunately, the American public is discriminating. They are not apt to lose sight of the really noble figure of Washington. The prime facts of his life stand out too distinctly for that. First of all, they admire his patriotism. They picture him correctly as the man who was unflinching in his resistance to the encroachments of the reactionary British Government upon American liberties, who served without pay as leader of the Revolutionary armies, who labored so incessantly to win independence, who turned his back upon the temptation to make himself dictator, who permitted no personal or local interests to influence his services for the people, who gave up reluctantly the peace and charm of Mount Vernon to direct the launching of the ship of state in 1789, whose thoughts, to his dying day, dwelt upon the means of making his country united and prosperous and great.

They admire his perseverance, his courageous tenacity of purpose amid so many obstacles and discouragements. They love to picture him saving the shattered remnants of his army by the masterly retreat across New Jersey, reviving the waning cause of the Revolution by the desperate but brilliant blows at Trenton and Princeton, encouraging his men amid the pathetic sufferings at Valley Forge; urging, imploring Congress to give him the reinforcements, the arms, the clothing, the food so greatly needed; recruiting and reorganizing his army as it melted away before the attacks of the enemy or the refusal of his men to re-enlist; struggling against the indifference, the stupidity or the selfishness of so many of his countrymen.

Nothing which has been written about Washington can shake our faith in his rigid honesty. "His integrity was most pure," said Jefferson, "his justice the most inflexible I have ever known, no motives of interest or consanguinity, of friendship or hatred, being able to bias his decision." This is a remarkable tribute indeed from the man who resigned from the Cabinet because Washington, in one vital decision after another, had decided with his bitter opponent, Alexander Hamilton. Americans will not be influenced by the statements that Washington's honesty was tinged with shrewdness. They believe, have every right to believe, that the man was actuated in all his public and private dealings by the most rigid ideals of uprightness and honesty.

Nor can it be said with justice that Washington was without vision. That he lacked the insatiable intellectual curiosity of Jefferson or the financial genius of Hamilton is true enough, but few men of his times showed a truer insight into the future. Even during the darkest days of the Revolution he had a vision of a great, independent nation; he early foresaw the end of the Confederation and the need for a new Constitution; none more than he realized the danger of disunion arising from the difficulties in the way of commerce between the Ohio Valley and the old States; he understood well the evils of slavery and looked forward to the day of emancipation; his Farewell Address was the cornerstone of our foreign policy for a century.

As for his reputation as a General, it rests upon too firm a basis ever to be seriously shaken. It is true that he was repeatedly defeated in the field, but usually only when the odds in numbers, discipline and equipment were overwhelmingly against him. Throughout the war he was forced to play a desperate game with the cards stacked against him. Without a real government to provide men for his army, the money to pay them, the cannon and guns with which to arm them, the food and clothing necessary to keep them alive, he was expected to meet the British veterans, thoroughly disci-

plined and well armed. In a country devoid of good roads, where the ocean and its innumerable tributaries had always provided the chief means of communication, he had to contend with an enemy who usually had complete control of the water. During two short intervals only did the Americans, because of the presence of French fleets, challenge British naval supremacy, and in the second of these periods Washington struck the blow which ended the war.

Despite all his handicaps, Washington more than once planned and executed manoeuvres which would have done credit to Frederick the Great or even to Napoleon. In the victorious Yorktown campaign and in the retreat through New Jersey he displayed military qualities of a very high order; the Trenton-Princeton campaign was brilliant. To elude a superior force which threatened destruction to his army, and at the same time fall upon the enemy's line of retreat, threaten his base of supplies, defeat his reinforcements; to force him to relinquish his hold upon a large extent of territory, to effect a junction with another American army from which he had been cut off, shows real genius. It explains why the Princeton-Trerton campaign has long been studied in many European military schools, why Field Marshal von Moltke considered Washington the greatest general produced by English-speaking America.

Washington's statemanship was also of high order. As the first President of the United States a responsibility fell to his lot which was shared by none of his successors. He had to do his part, and a very important part it was, in launching the new government, breathing life into the Constitution and in giving to the office of the Chief Executive needed vigor and strength. This task he performed with rare wisdom and foresight. The Presidency is the creation in part of the Constitution, in part of the first President. It is true that in the task of laying the enduring foundations of the Union he had the services of the brilliant Hamilton, who originated some of the most important features of his program. But it was Washington who selected Hamilton as his Secretary of the Treasury and it was Washington who gave him the support without which he could have done nothing. The organization of the new government, the establishment of the bank, the creation of the Cabinet, the suppression of the Whisky Rebellion, the stand for neutrality during the French Revolutionary wars, the Jay treaty, form a record of accomplishment of the highest order.

None of the recent biographers of Washington has given us so just and true a picture of the man as that drawn by Jefferson more than a century ago. "I think I knew General Washington intimately and thoroughly," he said. "His mind was great and powerful, without being of the very first order; his penetration strong, though not so acute as that of a Newton, Bacon or Locke, and, as far as he saw, no judgment was ever sounder. It was slow in operation, being little aided by invention or imagination, but sure in conclusion. Hence the common remark of his officers, of the advantage he derived from councils of war, where, hearing all suggestions, he selected whatever was best. * * * He was incapable of fear, meeting personal dangers with the calmest unconcern. Perhaps the strongest feature in his character was prudence, never acting until every circumstance, every consideration was maturely weighed; refraining if he saw a doubt, but, when once decided, going through with his purpose, whatever obstacles opposed. * * * He was, indeed, in every sense of the words, a wise, a good and a great man. His temper was naturally irritable and high-toned, but reflection and resolution had obtained a firm and habitual ascendency over it. If ever, however, it broke its bounds he was most tremendous in his wrath. * * * His heart was not warm in its

affections, but he exactly calculated every man's value and gave him a solid esteem proportioned to it. * * * It may truly be said that never did nature and fortune combine more perfectly to make a great man and to place him in the same constellation with whatever worthies have merited from man everlasting remembrance."

After all has been said, it was Washington's character which was supremely great, which was responsible for the greatness of his achievements. In the Revolution it was the trust in Washington which held together a faltering and discouraged people, which tided the country over the darkest hours, which was responsible for the eventual victory. After peace had been won it was this trust in Washington which made it possible for a disunited people to attain enduring strength and unity. There have been greater generals than Washington, greater statesmen; there has been no greater character. When the writings of his detractors have passed into obscurity his memory will remain, what it has always been, a sacred legacy to the American people.

II—The Exponent of American Unity

By JOHN CORBIN

Author of "The Unknown Washington"

SO often as there is question of honoring George Washington some worthy engineer arises and claims him as one of the profession, thus honoring himself. There is even less ground for the claim than there is for the story of the cherry-tree and the hatchet, which of late has received strong confirmation. Washington's education ceased when he was 15. By that time he had mastered enough arithmetic, geometry and trigonometry to survey land; and when he was barely 16, though not yet a licensed surveyor, he earned a doubloon a day, or upward of $8, as helper in a party that surveyed lands of Lord Fairfax in the Blue Ridge. Washington was a surveyor and doubtless a good one. But an engineer is, and was, something else again.

Yet a fact remains, the significance of which is well worth sifting. Already as a lad of 16 he was keenly interested in the trade route up the Potomac and down into the Ohio valley; throughout his later years he actively presided over a company which "canalized" the river bed as far up as the confluence of the Shenandoah, and when he died there was every prospect that it would be completed, affording the first great trade route connecting the new West with the Atlantic seaboard. As he, himself, expressed it, his purpose was to construct "a waterway wide and smooth" over the Alleghany Mountains. Was that a project worthy of an engineer? If it was something less than that, it was also much more. Between idolators and debunkers, the present generation is in considerable confusion. I know of no episode in Washington's life which gives a deeper and truer picture of his mind and character; and, fortunately, documentary evidence has turned up of late which throws a flood of light on it. Of that by and by.

Let us begin with a glimpse or two of the alacrity and scope of his mental powers. After the successful close of the Revolution, when he was the great hero of liberal progress throughout the world, his mind immediately harked back to his dream of a waterway over the mountains. With a small party of intimate friends he made an exploring expedition among the mingled headwaters of the Potomac and the Monongahela. There he encountered a youth of 23 who was subsequently to be known as the most

brilliant Secretary of the Treasury with the exception of Hamilton—a Swiss immigrant who, like himself, was financially interested in the Western lands and their development. Albert Gallatin was lodging in the office of the surveyor of the district and, under pressure of frontier accommodations, gave up his bed to Washington, himself sleeping on the floor beneath a table. Before Washington went to bed he sat at the table "endeavoring to reduce to paper the calculations of the day." According to one of the two accounts of the incident, both coming first-hand from Gallatin, there were others present from whom Washington was receiving information. In any case the young man became possessed of the factors in the problem and "came at once to the conclusion." What was to be done? By nature, Washington was of the utmost dignity and reticence, and he was fresh from eight years' command over the turbulent and undisciplined army of the Revolution. With a single glance he had been known to freeze an entire assembly. Gallatin, "after waiting some time," rose up from beneath the table and supplied the answer. Washington's response was "such a look as he never experienced before or since." But that was not all. "On arriving by a slow process at his conclusion, Washington turned to Gallatin and said, 'You are right, young man.'" Later, having made inquiries as to Gallatin's character, he urged him to become his agent in the district. But that conclusion also was the result of a slow process.

It is difficult to overestimate either the painful deliberation of Washington's mental powers or the boldness and the soundness of his conclusions. During the war, enthusiastic spirits in his army matured a plan for rowing across the Hudson and kidnapping Sir Henry Clinton, then in command in New York. It was a project quite feasible—and peculiarly appealing to Washington's physical audacity and love of adventure. But an aide of 22, who also became Secretary of the Treasury, saw the flaw in it. Then as now it was obvious that our chief reliance was not so much our own patriotism and warlike resources as the lethargy and blundering of the British. "We perfectly understand his character," Alexander Hamilton pleaded; "and, by taking him off, we only make way for some other, perhaps an abler officer, whose character and disposition we have to learn." One readily imagines how the heart of Washington, weighed down by the terrible responsibility of his position and the imminence of frustration and defeat, yearned toward the relief of positive action, of a brilliant exploit. But as he looked down from his 47 years and his 6 feet 3 upon the 5 feet 6 of his boyish aide, he saw that the Little Lion was right. Few moments in his crowded life can have been more wistfully pathetic, perhaps none so richly humorous to the detached observer. Certainly no British General ever suffered at his hands a deeper humiliation! In promoting his waterway wide and smooth over the Alleghany Mountains Washington made errors of immediate decision which a competent engineer would have avoided—if there had been one on the spot, which there was not. But his inspiring idea and his ultimate purpose were of a profundity which the world has been slow to realize.

What he had at heart was the permanence of the American union, and the means by which he hoped to secure it was precisely that which ultimately prevailed, though in a different manner—a cementing of East and West by all the ties of commerce and of a common idea. Without that the "Lost Cause" must certainly have triumphed, to the destruction of our national solidarity and strength.

How early he arrived at this statesmanlike concept it is difficult to say with certainty. When, as a lad of 16, he went surveying in the Blue Ridge, his elder half-brothers had long been

heavily interested in the Ohio Company which owned vast tracts on the western slopes of the Alleghanies. In order to sell the land to settlers and to develop a profitable commerce with them, easy communication was indispensable. Already the superior ease and speed of river traffic must have been borne home to his mind by the many navigable stretches of the Potomac and its tributaries. As early as 1754, when he was 22, we find him experimenting with water transportation for military stores, and three years later he urged it with success upon the British authorities. Already the need of that strength which can come only through union was clear in his mind. In 1753 he had been sent by the Virginia Council on a mission to the commander of the French forces that were occupying the region beyond the Alleghanies and he found him contemptuous of the power of the Colonies because of their lack of effective central control. His published report is a document on the need of colonial union. In 1754 his defeat at Fort Necessity was, as Governor Dinwiddie expressed it, "entirely owing" to the lack of effective cooperation. Troops from North Carolina, Maryland, Pennsylvania and New York failed to arrive or, arriving, refused to submit to a united authority.

Franklin's Albany Plan of 1754 for an American Union is generally cited as the first mile-stone in progress; but it was itself suggested by Washington's report of the year before, and the need of it found its chief illustration in the tragedy of Fort Necessity. In deeds that spoke more eloquently than words, and also in words of no mean power, Washington was the first as he was the ablest and most persistent exponent of American union.

But he was, literally, a voice crying in the wilderness. The spirit of a narrow particularism was all but universal. Men thought and spoke of their several Colonies as their "country," as their "native land"; and, of all Colonies, Virginia was the most narrowly particularist. When, primarily owing to Washington, an adequately strong central government was established under the Constitution of 1787, all his great associates and co-workers, with the sole exception of John Marshall, were revolted by the threat to State sovereignty and fell away from him—Patrick Henry, Jefferson, Madison, Monroe, George Mason, Edmund Randolph.

Certainly as early as 1770 Washington was planning his mountain waterway, for in that year he explored the headwaters of the Potomac and Monongahela, noting where they were navigable and where the portage between them was narrowest. In 1774 he planned another expedition, but was called away to the Continental Congress and the army before Boston. In 1780 the pressure of the Revolution eased for a spell and he made excuses to explore the rival route of the Mohawk Valley. It was more feasible, but he showed no trace of jealousy; and his purpose, his vision now finds explicit words: "The more communications are opened to it [the West] the closer we bind that rising world (for indeed it may be so called) to our interests, and the greater strength we shall acquire by it." But it was only as a result of the expedition of 1784—that on which young Gallatin rose up from his bed like a jack-in-the-box primed with mental arithmetic—that Washington's concept became thoroughly matured and found full expression.

The situation he had long foreseen had developed rapidly during the Revolution and was reaching a crisis. In Pennsylvania alone there were, as he notes in his diary, "at least 100,000 Souls" on the western slopes of the Alleghanies; and the banks of the Ohio for many hundreds of miles were similarly swarming. At no distant future there would be an "empire," as he called it, of many millions of sturdy and adventurous Americans

settled on land the title to which we had gained in the Revolution. But history afforded no instance of a people which remained united when separated by a mountain barrier.

In this instance there was besides a peculiar and imminent danger. For the northern part of this new "empire" the natural trade route was down the Great Lakes and the St. Lawrence, and the British not only controlled the lower reaches but, in spite of our many protests, maintained their old trading-posts throughout the region lately ceded to us. For the Central and Southern West the natural trade route was down the Ohio and Mississippi to Louisiana, still strongly held by Spain. Already "the country of Kentucke about the Falls" of the Ohio was sending flour to New Orleans, for which "the Spaniards, when pressed by want, have given high prices." Even more than a mountain barrier, a diversity of economic interest strains the bonds of racial union. At that very moment the "Western Settlers" of Pennsylvania were showing "a disposition" to secede "from the old and more interior government" in order to pursue unhampered their own economic development.

There was, however, a bright spot in the outlook. England as yet seemed blind to the future possibility of a commercial penetration and reconquest of this empire which she had lately lost, preferring to compete with American pioneers for the present profit of the fur trade. Spain likewise was pursuing the narrowly selfish policy of closing the mouth of the Mississippi to our commerce. But there could be no doubt of ultimate disaster if we failed to take bold and immediate measures.

> For what ties, let me ask, should we have upon those people; and how entirely unconnected shod. we be with them, if the Spaniards on their right and Great Britain on their left, instead of throwing stumbling blocks in their way as they now do, should invite their trade and seek alliances with them? The Western Settlers—from my own observation—stand as it were on a pivot. The touch of a feather would, almost, incline them any way. * * * The way to avoid both separation or a war, happily for us, is easy, and dictated by our clearest interest. It is to open a wide door and make a smooth way for the produce of that country to pass to our markets before the trade may get into another channel.

Firm in this conviction, Washington sent a long letter to Governor Randolph of Virginia which rephrased the entries in his diary, and he ceaselessly bombarded Governors of neighboring States, members of the Continental Congress and wealthy private citizens to the same effect. One result of all this was the Mount Vernon Compact and the Annapolis Convention, the purpose of which was to induce the States bordering on the Potomac and Chesapeake to cooperate in the development and control of their joint commercial interests. As to that, both Mount Vernon Compact and Annapolis Convention were flat failures. But, as it happened, Alexander Hamilton, by the most audacious and brilliantly successful tour de force in our history—and vastly to Washington's amazement and delight—"twisted" the movement for merely local and commercial cooperation into the convention of 1787, which framed the Constitution. From this point of view our national union and strength was a by-product of the abortive movement started by Washington.

The other result of it was the Potomac Company which he organized and presided over. From private individuals it secured stock subscriptions very considerable for those times; and when these were exhausted it secured grants from neighboring States and ultimately from the national treasury. In the year after Washington's death it declared a dividend of 5 per cent; but otherwise it also proved a flat failure. By far the larger portion of the undertaking which he had proposed as "happily for us" so "easy," remained forever unaccomplished. As

an engineer Washington was a highly persuasive promoter.

Though far from "easy," however, and very far from "fortunate" for those who invested in it (including Washington), the project was perhaps not quite impossible. The richer and more enterprising State of Pennsylvania actually constructed a route, mainly by locked canal, over the Alleghanies, and this operated very profitably from 1830 until it was put out of business by the Pennsylvania Railroad. Except for the advent of steam, the Potomac - Monongahela route might possibly have been completed. The mountain crest to be surmounted was, indeed, 463 feet higher than that of the Juniata-Conemaugh route; but the handicap was largely counterbalanced by the fact that the ocean commerce of the time could ascend the Potomac as high as the present District of Columbia. The location of our Federal capital, and the "magnificent distances" of its plan, were determined by the fact that Washington expected it to be a national seaport and metropolis superior to New York and Philadelphia in both commerce and population.

The great defect of his plan was that it called for the use of the actual river bed. When the Juniata-Conemaugh route was projected, engineering skill and financial resources had become adequate to the building of a locked canal. Washington did, indeed, provide for one short canal, about the Great Falls above the Federal city. It may still be seen, the crannies in its walls affording lodgment to shrubs and vines and its bottom overgrown by thriving trees. Possibly he intended to build other canals on the steeper of the mountain slopes. But his chief reliance was upon a stream that flows swiftly in Spring and Fall, that is pitifully shallow in Summer, and that at all times is beset with rapids swirling over sunken rocks and ledges. In his wildest dreams he did not hope for more than the familiar ten-ton barges propelled by hand-operated "setting poles"; and even these had to be drawn up river in places by mechanical power—were actually thus drawn, so far as the work was completed. In all the undertakings of his life, as varied as they were momentous, there is nothing that portrays the boldness of his mind, its imaginative quality and its incandescent passion of patriotism, so clearly as this rather ludicrous failure.

He knew the difficulty that faced him and had doubtless weighed it with all his customary caution and care. As early as 1772 Franklin had sent from London a graphic account of attempts to canalize the beds of rivers. Not yet was "the raging canawl" a joke. Even on the gentle European plains, floods burst the puny locks and raised bars across the excavated channels. And on the slopes of the Alleghanies there was the added danger of huge ice floes ceaselessly pounding and grinding. "Rivers" wrote Franklin, "are ungovernable things." Yet, in obedience to his country's need, Washington set out to govern one of the mightiest.

Ol' Man River had something to say about that, refusing to be put in his place by the most withering glance —or even to be brought to reason by the patience and forbearance which were the deeper source of Washington's power. Perhaps we are wrong to smile at any, the most hopeless, attempt at government on the part of the man who had led our Revolution to success in the face of the lethargy of thirteen States in Congress assembled, and who was soon to move all Virginia, for at least one critical moment, to an effort in behalf of national union and strength. But let those engineers who claim Washington as one of them say what they think of the measures to which he resorted. They will have to take my word for much of what follows against the most authoritative historians and biographers—or else consult manuscripts to which I have referred elsewhere.

For a century and more it has been reiterated that Washington intended to solve the problem of "inland navigation" by means of the steamboat invented by James Rumsey. Of itself the statement is quite plausible. In nothing is the power of Washington's imagination, its intense realism and its Americanism, more abundantly shown than in his interest in mechanical invention. In 1776 he had recognized David Bushnell's plan for a submarine to destroy the British ships as "an effort of genius," giving the inventor all necessary "money and other aids." Rumsey was a genius as great or greater. As Ella May Turner has shown in a recent most scholarly monograph, he invented the pipe boiler, preceded Fitch in actually achieving steam navigation, and when he died of a stroke in 1792 was on the eve of the commercial use of the steamboat which Fulton did not accomplish until 1807. As early as 1784 Washington became Rumsey's enthusiastic champion and liberal patron. But not with regard to steam. As he wrote to Jefferson three years later, he had in 1784 "no reason to believe that the use of steam was contemplated by" Rumsey, and that "sure I am it was not mentioned." In November, 1785, Rumsey did speak of the "application" of steam to "inland navigation"; but, as Washington says with a highly characteristic touch of quiet humor, he dismissed the idea as "an ebullition of his genius."

Rumsey's device of 1784, by means of which Washington hoped to govern Ol' Man River, was perhaps the most amazing product of American invention. In letters urging the canalization of the Potomac, he cites it repeatedly as chief reason for investing in the company he was promoting. He himself had seen a successful trial of the model. As to the precise source of the power used, he was pledged to secrecy; but he dropped a hint or two that came precious near to letting the cat out of the bag. Only "in still water" was "manual assistance" needed for propelling the boat. In a current, as he clearly implies, it went forward *against the stream by means of power furnished by the stream.* "The counteraction being proportioned to the action, it must ascend a swift current faster than a gentle stream." The law of physics is unimpeachable; but that it is applicable to "inland navigation" would be inconceivable today if Washington had not seen the result with his own eyes.

My conjecture was that power from the downrush of water was thrown into the boat by means of paddle wheels, much as steam power was presently to be thrown outward. The boat would have to be brought to a full stop; but the process was familiar in the use of punting poles—called "setting" poles because they did precisely that. If Rumsey's boat were equipped with mechanical setting poles, force from the paddle-wheels might be exerted downward against the river bottom. But what a craft—a gigantic water-bug or surface-hopper, ascending the stream by a series of sprawling leaps!

Difficulties suggest themselves to any one who has ever punted up a rapids. The bottom is very uneven, so that the impact of the mechanical setting poles must be irregular, jerky. There are sunken boulders and ledges likely to smash poles and even paddle wheels. The "manual assistance" which, as Washington says, is necessary also for the "steerage" would have its work cut out. All this seems to have occurred to him. He protests that he can vouch for the success of the boat only in the favorable conditions under which he saw it operate, and he adds that in a swift current "there may be, and no doubt is, a point beyond which it cannot go without involving consequences which may be found insurmountable." His faith was mighty as it was wishful, but he was still fathered by that child of the hatchet and the cherry tree.

In the Library of Congress there are several hundred volumes made up

of the contents of Washington's file of letters received. Though neglected by historians and biographers, they are of the utmost importance. The heavy responsibilities that lay on Washington, abetted by his lifelong habit of caution in all matters except physical danger to himself, made his own communications extremely non-committal. With his correspondents it was far otherwise. Their part was to say what was on their minds with the utmost clarity and force. While I was searching for quite different and perhaps more important information, it occurred to me to look for letters of 1785 and 1786 from Rumsey. They were there, and Miss Turner has since published them in full, though without critical elucidation. The briefest of citations will indicate the accuracy of the above surmises. In September, 1786, a trial was made with a full-size barge or batteau carrying "about three tuns of Stone" and "nine or ten persons." Side-wheels and mechanical setting-poles are sufficiently indicated in the following:

> The poles, or Shovers, was made of wood with Iron Spikes at their Lower end, to Sink them, which Spikes proved too Light, and caused the poles very frequently to Slip on the Bottom, But the great Determent was, that when a pole got a good holt on One side and not the other, it had a tendency to give Her a Heel, which would throw part of the wheel out of water, which weakened the power, and would often Loosen the foot of the pole. * * * Rocks that Lye But Little under the water might break the Wheel.

Rumsey was now convinced that his mechanism could succeed only if two such craft were lashed together, thus steadying the whole and distributing the thrusts of the poles; and he does not appear to have tried this. Already his mind was ebullient with visions of steam. This new power he used to pump a jet of water out at the stern, below the surface, a method that involved much friction. But in December, 1787, as Miss Turner has shown, be made a highly successful trial on the Potomac before a crowd of witnesses, propelling a boat with many passengers for some hours at the rate of four miles an hour.

Such a steamboat did not, however, solve the problem of driving a laden barge up the swifter reaches of a canalized river. Nor is that feat possible today. Washington continued to be Rumsey's liberal patron, but he showed little interest in this new ebullience of his genius. Not until steam was used in all-land hauls by rail did it solve the great problem of enduring union between East and West. That was a full generation after Washington was in his grave.

But the vision had been his from boyhood; and, from the moment there was any possibility of a country united and strong, it burned with patriotism the most intense. As an engineer he was doubtless a promoter; but as a promoter his ultimate aim was—the words slipped often and easily from his pen—the happiness of "unborn millions" of us, his children. Of the greatness of his love there is no more striking proof than in this his one great failure. Human beings he could lead and govern to their best welfare; but today and forever Ol' Man River goes rollin' along.

III—Washington's Writings in a Definitive Edition

By ALBERT BUSHNELL HART
Historian, Washington Bicentennial Commission

SURELY no public man in history is better known than George Washington. He has been the subject of over 400 biographies, and his diaries, letters and papers fill thousands of printed pages. The greater part of the approximately 20,000 letters he wrote have been preserved in the original or in signed copy. About seventy mountains, bays

and rivers in the United States are named for him, not to mention uncounted streets, public buildings and educational institutions. A considerable section of the Library of Congress is devoted to his manuscripts, and another section contains his own writings and various works about him and his time.

In spite of all this, when the United States George Washington Bicentennial Commission was created by Congress in 1924, it was decided to honor the memory of the first President in such a way as to add to an understanding of him. Former commissions appointed to commemorate some event of national importance had made no significant addition to the literature and learning of mankind; the centennial of the Declaration of Independence was marked merely by a great exposition at Philadelphia, and the Louisiana Purchase Centennial at St. Louis in 1904, although it provided a series of congresses for men and women in various fields of learning, left no lasting intellectual monument.

Washington was so well and widely known that when the national commission was established it seemed not unlikely that its energies would go into the erection of a group of immense buildings to house an exposition in the conventional "centennial" manner. Acting upon an idea inspired by President Coolidge, however, the commission in its first appropriations bill asked for considerable sums for a variety of enterprises, all of which centred upon the main idea of making Washington better known. The most important of these, that upon which the greater part of the money was to be expended, was a definitive edition of Washington's writings. This work, now in preparation, will contain twenty-five or more volumes. Of the two previous editions, one, that edited by Jared Sparks, was published nearly a century ago and is far from scholarly; the other omits numerous Washington letters recently brought to light. For this new edition the whole country has been circularized for source-material. Great libraries and dealers in manuscripts have given photostats of their documents. It will contain, also, the General Orders issued during the Revolutionary War, only a small portion of which have hitherto been printed.

This publication will render not only a remarkable service to the memory of Washington but will provide accurate material for researches by future historians. The interest of scholars, collectors and libraries in this new material will lead to the correction of many errors based on inaccurate ininformation, and will establish for Washington his deserved reputation as a voluminous, pithy, direct, convincing writer. His style was that of his time—rather round-about, given to large words and involved constructions, but full of vigor and truthful to the last degree.

Another important historical service never performed before is the preparation of the *George Washington Atlas*. By agreement with its publishers, a forthcoming number of the *National Geographic Magazine* will contain a map showing as many of the places visited by the first President as the limits of size will permit. On a much larger scale will be maps in the *Atlas*, now being prepared under the direction of Colonel Martin, the geographical expert of the Library of Congress, with the assistance of a special committee of eminent geographers and three regional committees from New England, the Middle Atlantic region and the South. Washington himself was a good topographer, and many maps and surveys from his hand are to be reproduced, some for the first time. Much care has been taken to follow his lines of travel and of march—a very difficult task, for some roads have been since abandoned or changed in their course—and the *Atlas* will reveal the fact that many unsuspecting towns and localities were honored by Washington's presence.

There has also been built up, under

the general supervision of Sol Bloom, Representative from New York and Director of the Commission, a system of collecting and distributing all the information available concerning Washington and his contemporaries. The publications include two series of short pamphlets. The first of these is the *George Washington Pamphlets,* numbering sixteen, under the general editorship of the historian of the commission. Each is devoted to some phase of Washington's life, with such titles as "The Frontier Background," "Washington the Farmer," "Washington as a Religious Man," "Washington's Home and Fraternal Life." The second series, issued under the direction of Mrs. John Dickinson Sherman, will contain such titles as "Family Relationships of George Washington," "George Washington, the Man of Sentiment" and "The Social Life of George Washington." In addition, a bibliography of Washington has been prepared by a committee of the American Library Association as a part of the first series of pamphlets.

The commission has also prepared radio speeches, tree planting ceremonies, music, pageants, plays, books in braille—all to make it possible for schools and social organizations, no matter how distant or how small, to plan a Washington celebration. In addition, a large office staff in the capital city takes care of an immense correspondence, answering any honest question about Washington or replying that no answer is possible. Posters are sent on request, and a handsome reproduction of one of the best portraits of the national hero is to be sent to every schoolhouse in the United States. Replicas of two famous busts have been widely distributed, Washington medals have been issued and the Postoffice Department is putting out a new series of Washington stamps.

In the eyes of the commission, a genuine Washington celebration must represent the Washington who lived and breathed, had devoted friends and bitter enemies, and took an active part in the life of the time. The commission does not foster a worship of the first President; it is satisfied to aid in making Americans of today know and appreciate the manifold Washington, great in many fields, and especially in his confidence in the American people.

In Confirmation of Darwin

By WATSON DAVIS
Managing Editor, Science Service

WHEN Charles Darwin published his long-considered *Origin of Species* in 1859 he formulated one of those great scientific principles that eventually make their way into the stream of civilized thinking and become a part of our intellectual subconsciousness. A vast amount of progress in biology and understanding of life dates from the days when the young scientist was on board the Beagle just a hundred years ago. Since that time hundreds of his intellectual descendants have continued his work of searching for the logic and rules of nature, until today the evidence is piled mountain high in monographs, journals and museums.

One of the most recent advances in the study of evolution is the derivation of the evolutionary law which in mathematical formulation states the manner of rise of different kinds of plants and animals. This discovery was made by Dr. W. H. Longley, Professor of Biology at Goucher College, Baltimore, Md., and head of the famous Tortugas marine laboratory of the Carnegie Institution of Washington in the Gulf of Mexico. Like Darwin, Professor Longley has spent years in the study of the creatures of the sea. He has also spent several years of intensive statistical research in collecting data and developing his statement of evolution. Fitting naturally into a series of laws well known to science, his new mathematical statement of evolution rules the growth of various kinds of living organisms just as statistical relations in physics govern the actions of gases.

By this new formulation Darwin's "struggle for existence" is proved to result in an orderly progress whose outcome is absolutely predictable. "We know the law of evolution as well as we do the laws of falling bodies," Professor Longley says, explaining that the law of evolution can be expressed by a mathematical equation or plotted as a curve which looks like the sweep of a railroad track changing directions at right angles. The laborious counting of thousands of species or kinds of bats, reptiles, cacti and other great classes of living things allowed the derivation and testing of the new "kinetic theory of species." Great masses of statistics on the number of species in various genera, the geographical distribution of species in the genera of both many and few species, the dates of discovery and naming of species were analyzed in formulating the law. Professor Longley based his work on the idea that the factors involved in evolution and the way they have worked together may be inferred from the number and distribution of the species made in the process.

The law of evolution, Professor Longley explains, belongs to a family of laws in which the simplest group is that of the physical laws relating to gases. In ordinary gases the molecules are active bodies, acting upon one another by chance, but they are incapable of reproducing or changing. If the gases are glowing or "excited," then another law is needed. The units in the excited gases add variability to the properties of the simple gases. The curve of evolution is also related to the laws of population growth, in

which the units are living things, acting upon one another, capable of self-perpetuation but assumed to be non-variable. One law of population growth was developed by Dr. Raymond Pearl and associates of Johns Hopkins University during the past decade. This shows that great masses of organisms, whether human beings in the United States, yeast in a dish or fruit flies in a bottle, increase their numbers rapidly when their numbers are small, but multiply more slowly as the population grows larger, finally reaching a point of stagnation. The most complex of this family of laws is Professor Longley's newly discovered law of evolution. It deals with population of populations. It is the law of growth of genera. It is the necessary outcome of interplay of the units of a particular sort of kinetic system. It is a "glorified gas law." Darwin's hypothesis of evolution by natural selection is confirmed by the mathematical statement of evolution thus developed. It supports Darwin's origin of species and puts into statistical form the fundamental natural law that has so influenced human thought since its enunciation in 1859.

The movements and reactions of individual animals and plants, as well as the rise of species themselves, come under the influence of Darwinian evolution. This is the suggestion of Dr. Edwin G. Conklin, Professor of Biology at Princeton University. In nature there is a great overproduction of movements and reactions. Adaptations occur by the elimination of unfit reactions during the life of the individual that do not cause its death but do modify its course of life. For example, immunity to certain diseases is acquired during life. Darwin's famous principle of the elimination of the unfit is thus applied to reactions of animals and plants as well as the existence of whole kinds and species of living things. All fitness for life displayed by the living world can be explained mechanistically, Dr. Conklin believes, provided that life is endowed with sensitivity to distinguish between good and evil situations, reproduction to perpetuate the organisms, and metabolism to convert non-living materials to the use of the living thing. Biologists generally recognize these three fundamentals of life. Dr. Conklin holds something other than mere chance or accident permeates the entire universe. He is not in sympathy with the idea of undiluted mechanistic evolution. Nor, on the other hand, is he impressed by "vitalism" or "psychism" that "no one can define or study." He suggests that something which may be called "differential sensitivity psychism" is necessary after which all evolution can be explained on the basis of the operation of mechanistic principles.

Of great interest and importance to the most recent of the stages of the evolutionary rise of life on the earth is the work that is being done in America in devising a method of dating the recent hundreds and thousands of years of history as written in the tree rings and clay banks of the North American continent. Dr. A. E. Douglas of the University of Arizona and Dr. Ernst Antevs, Swedish geologist working in America, received recently through the Smithsonian Institution the Research Corporation Awards of $2,500 each for their successful researches in measuring the years in undated centuries of the world's past. Dr. Douglass, using tree rings as his yardsticks of time, has constructed an unbroken chronology of annual tree rings in the Southwest from the present back to 700 A. D. Tree-ring specimens for the earlier centuries of the series were gathered, with the cooperation of archaeologists, in Indian pueblo ruins. When dates were established for the tree-ring specimens, the age of the pueblos was also known. Seventy-five pueblos have thus been dated. Dr. Douglass is now working with tree-ring specimens gathered by Earl H. Morris, archaeologist, in ruins and caves of early Pueblos and late

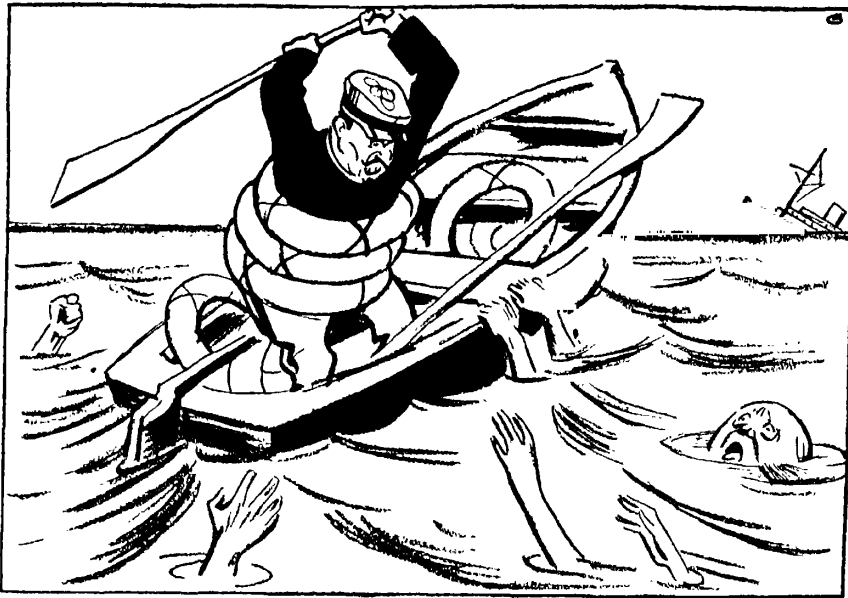
Basket Makers. The tree rings cover 600 years of time, and do not appear to fit into the tree-ring calendar of any centuries since 700 A. D. When a piece of wood is found containing rings that overlap the eighth century and the earlier undated material, the age of the 600 rings can be told.

Dr. Antevs's researches into the passage of time go back to the ages when the great ice sheets advanced from the north and covered large portions of the earth. For measuring time in this distant era, Dr. Antevs uses the layers of clay deposited in ancient lake beds. These thin twin layers, alternating dark and light, were deposited annually in the wake of retreating glaciers. Dr. Antevs has obtained records of the clay layers, or varves, for considerable parts of the age when the North American ice sheet was dwindling from its farthest south point of advance. The ice sheet, he says, began to withdraw almost immediately after reaching its southernmost line. From Long Island, N. Y., it retreated to Hartford, Conn., then up into Vermont and New Hampshire. Tracing this retreat by examining the annual layers of clay, Dr. Antevs found that it took the ice 4,100 years to melt back 185 miles between Hartford and St. Johnsbury, Vt. Around Amherst, Mass., the ice border halted and readvanced.

The tree rings and the clay varves not only measure time but offer science excellent material for the study of long and short temperature cycles. In clay deposits and tree-ring growth the earth recorded both rainy years and years of drought.

At the convention of the American Association for the Advancement of Science held at New Orleans during the last week of 1931, several interesting papers were read which had a bearing on the origin of the universe and of terrestrial life. Dr. Ross Gunn of the Naval Observatory expounded a new theory of the origin of the solar system. Instead of accepting the older belief that a wandering star pulled the planet-stuff from the sun, he contended that originally there was a rapidly spinning star which burst. Part of its fragments were lost, part became the sun, and the remaining particles became what we know as the planets.

At the same convention Professor William Patten of Dartmouth maintained that the ostracoderm, a scorpion-like creature which has been extinct for a billion years, is the ancestor of modern animal life. According to Professor Patten, evolution follows inexorably an original, initial pattern, with creative potentialities inherent in the pattern from the beginning. The pattern in the ostracoderms is the same fundamentally as in fishes, scorpions or men. "That pattern," he said, "is extremely intricate and variable, but the basic resemblance in innumerable details is throughout very complete, and of such a nature that it cannot be due to a mere coincidence."

Current History in Cartoons

THE SINKING OF THE OCCIDENT

France, sole survivor, brings the lifeboat to safety

—*Kladderadatsch*, Berlin

NOVEL WAY TO KEEP THE GOVERNMENT OUT OF BUSINESS

St. Louis Post-Dispatch

"WE CAN'T STOP DEBATING JUST BECAUSE WE AGREE"

—*Boston Transcript*

THE LEAGUE OF NATIONS: MANCHURIAN SESSION

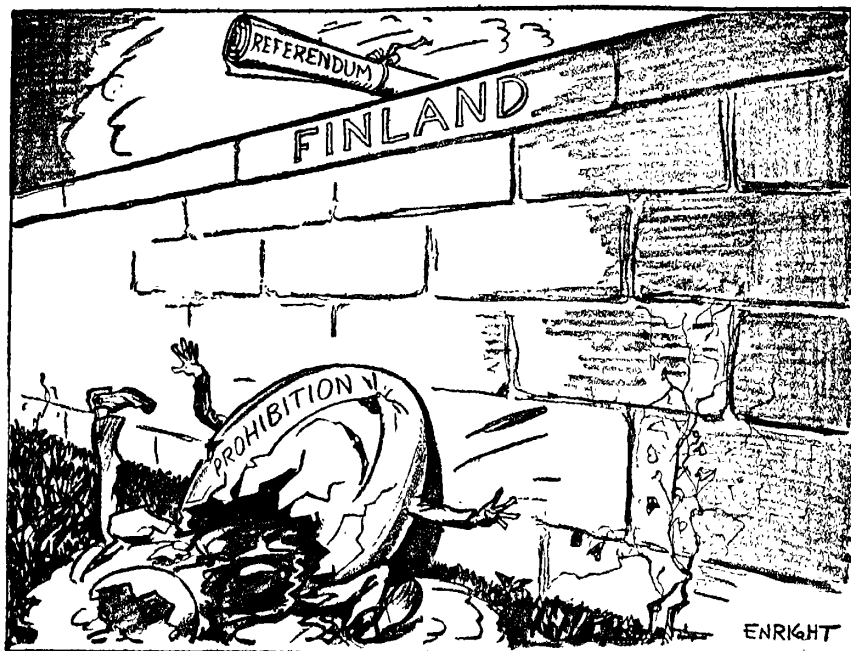
Left to Right: China (presenting pact); Russia (ready to dive in); Chairman ("In peace we hope"); Germany (with Hitler mask); France; a casual Mr. Dawes; Great Britain (slyly handing pistol to Japan)

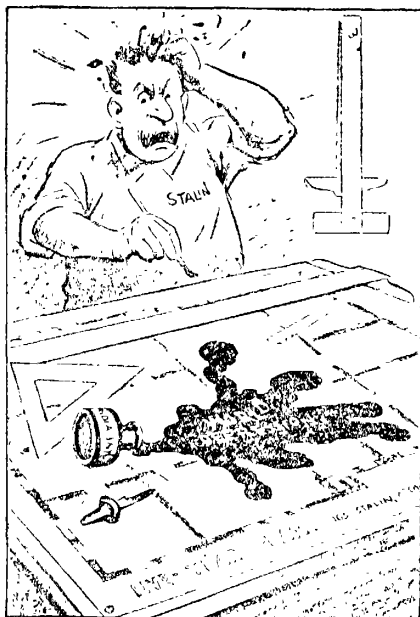
—*Anti-Japanese Association*, Hangchow

THE "OPEN DOOR" TO CHINA

—*Boston Herald*

JAPAN "EVACUATES" MANCHURIA

—*Kladderadatsch*, Berlin

FINISH OF THE FINNISH HUMPTY DUMPTY

—*New York American*

ALL OVER THE PLAN!

—*Dallas News*

THE ANIMALS COPY DISARMAMENT

Sword Fish: : "I cannot accept parity with a hammerhead shark"

Chairman: "A vote of censure, French fashion, on the sword fish"

—*Il* 420, Florence

EXPERT MEDICAL EXAMINATION
"It looks bad for your claims"
—*Boston Herald*

HOLDING GANDHI'S BAG
—*Houston Chronicle*

THE MOURNERS
—*Los Angeles Examiner*

A Month's World History

The Muddle of World Finance

By JAMES THAYER GEROULD
Princeton University; Current History Associate

THE world of international finance and the European chancelleries were startled on Jan. 9 when Chancellor Bruening issued a formal statement declaring that reparations must cease. His stand was founded upon the recent report of the Young Plan Advisory Committee, which, he declared, showed that further reparations payments were impossible for Germany and ruinous for the world.

Although the Chancellor's statement was not wholly unexpected, it caused a stir. Prime Minister MacDonald announced on Jan. 10 that the German declaration made the conference at Lausanne "more necessary than ever, for it is impossible to leave things as they are." In Paris, where a reconstruction of the Cabinet was in progress, the German pronouncement caused a considerable shock. In spite of almost unanimous disapproval of the Bruening stand, the protests were not violent. Unmistakable disappointment was apparent in Paris because the latest development in the muddle of international finance seemed to meet with the approval of both London and New York.

The formal statement of Chancellor Bruening was a direct result of the report issued by the committee of financial experts at Basle on Dec. 23. For a fortnight this committee had diligently engaged in a concerted endeavor to discover a way of dealing with the financial obligations of Germany under the Young Plan. The majority of the committee obviously recognized the necessity for broadening the scope of the inquiry so as to include a review of the entire financial situation, but the influence of France was steadily exerted to confine the discussion to the conditional annuities, and to exclude anything that might in any way imply a revision of the present plan. They were not entirely successful—the facts were too much for them. On Dec. 8, the second day of the inquiry, Dr. Melchior, the German member, outlined some of the results of the official census of her economic and financial status. The volume of short-time credits was shown to be 50 per cent greater than that estimated by the Wiggin Committee. While the balance of trade for the last six months had been favorable, the Reichsbank's coverage had fallen from 30 per cent to 12 per cent, a very dangerous ratio if the gold standard is to be maintained. His entire argument tended to prove that a cancellation of all reparation payments is necessary if economic disaster is to be avoided. The French countered with the claim that the gross short-time foreign debt of about $3,000,000,000 is in large part offset by German holdings abroad,

which amount to about $2,125,000,000. That there has been a flight of capital, the volume of which they are unable accurately to estimate, the Germans are quite ready to admit. They insist, however, that its total is relatively small, and that the vast majority of their foreign holdings are incidental to their foreign trade and cannot be mobilized to meet the present emergency. Dr. Homberger, the director of the German State railways, the receipts of which are a guarantee of the unconditional annuities, reported that the total of these receipts was 28 per cent less in 1931 than those of 1929, and that, including the annuity payment, the deficit for the current year was 10 per cent. A significant feature of the discussions was the attitude of the delegates of Holland, Switzerland and Sweden, who for the first time had an equal voice in the formulation of European financial policy. Though in no way responsible for the situation created by the war, they suffer from it equally with the belligerents, and they insisted on a thoroughgoing revision of the whole reparations plan.

The report, which was signed on Dec. 23, was frankly a compromise, and as such it satisfied no one. (See full text of the report on pages 701 708 of this issue.) The text is quite as important for the things it implies and leaves unsaid as for those which are clearly expressed. The Young Plan is left intact, although every implication of the report is that it must be revised. Priority of private debt payments is nowhere recommended, but it would seem a legitimate consequence of the measures proposed.

The report opens with a clear analysis of the German financial situation and of the unprecedented measures that the government has taken to meet it. During 1931 she has lost capital amounting to $1,125,000,000. The net drain on her gold and foreign exchange was $425,000,000. Her industry has now to pay 12 per cent for short-time loans. Out of a working population of 21,000,000 the unemployed number 5,000,000. The burden of taxation has become so high that there is no margin for further increase. Chapter 2 deals with the crisis as it affects all Central Europe and, to a greater or less extent, the world generally. The fall in world prices has resulted in reduced purchasing power, in a decline in production, in increased unemployment and in a sharp break in the value of securities. Doubt as to the stability of banks has resulted in the withdrawal of funds and threatened the systems of currency, compelling in some countries the abandonment of the gold standard. Hoarding and the increase of tariffs, already far too high, have added to the effects of the depression and still further increased the difficulty of making international payments. During the years 1925 to 1930 the revenues of the Reich increased from $3,650,000,000 to $4,500,000,000, but at the same time expenditures increased from $4,300,000,000 to $5,200,000,000. As a consequence the public debt had grown in 1931 to $6,500,000,000. In this connection the committee criticizes, as has been done so often before, the constitutional provision by which so large a part of the revenues of the Reich are automatically given to the States and communes for expenditure.

Notwithstanding all the disturbing figures cited, the committee holds that it may be assumed that, when normal times recur, the powerful economic equipment that Germany has created will enable her fully to meet her obligations. The emergency decrees of the last two years, which are outlined in some detail, show a "resolute desire on the part of the German Government to meet the situation."

In the final chapter, the committee expresses the opinion that, in the year following the moratorium, the government will not be able to meet the conditional payments under the Young Plan. That plan was drawn in the expectation of an expansion of world trade. We have had instead a drastic contraction, and a new situation has been created which calls for concen-

trated action on the part of the governments and "may well involve a profound change in the economic relations of nations to one another." The conclusion of the whole matter lies in the committee's recommendation that "adjustment of all reparations and other war debts to the troubled situation of the world—and this adjustment should take place without delay if new disasters are to be avoided—is the only lasting step capable of reestablishing confidence." "We appeal to the governments, on whom responsibility for action rests, to permit no delay in coming to decisions which will bring an amelioration of this grave crisis which weighs so heavily on all alike."

"For God's sake, let us meet at once," Ramsay MacDonald is reported to have exclaimed after reading the report. The arrangements were, however, by no means easy. Despite the unanimous signature of the Basle report, it is an open secret that profound differences still exist between the French and the British points of view, which the private conferences that have been going on in Paris during the last month have failed to compose. Despite the action of Congress, the British still hope for a thoroughgoing revision of European financial arrangements, while the French insist that all that can be hoped for is a limited and temporary arrangement within the framework of the Young Plan. Their veto on anything else will be decisive. The plan at this writing is that delegates of Great Britain, France, Italy, Belgium, Czechoslovakia, Greece, Japan, Poland, Portugal, Rumania and Yugoslavia are to meet those of Germany at Lausanne for a conference dealing only with reparations. It seems likely that the "plan" that will emerge will be one that will enable the European powers to bargain with the United States on a more favorable basis. Public sentiment abroad has definitely hardened against America, and many of the newspapers are openly advocating what amounts to repudiation of the war debt. Under the terms of the debt agreements, the debtor nations have a right, on ninety days notice, to postpone payments on the principal for a period of two years. This would relieve them at once of the immediate obligation to pay $75,000,000, though interest charges amounting to $195,000,000 would still be due. Should our debtors unite in a request for an extension of the moratorium to cover the interest as well, Congress will find it very difficult to refuse it.

That something substantial will be done for Germany may be taken for granted, for the financial community of interest of Europe has been demonstrated; but it may be that France will demand a political price that it will be very difficult for Germany to pay.

Another chapter in the world's financial complexities was written at Washington during December when the United States again turned its back on Europe, dissociated itself, for the time at least, from all attempts to accomplish her financial readjustment, and reaffirmed the doctrine that reparations and war debts are unrelated. This action on our part has compelled Great Britain to seek a closer alignment with France that may result in unified action on the part of Europe which we may later have cause seriously to regret.

The administration at Washington lost a golden opportunity when it failed to follow up the advantage gained in the popular approval of its action in initiating the moratorium. A re-reading of the newspaper comments in late June and July leaves little doubt that had Mr. Hoover then made the proposals contained in his message of Dec. 10, they could have been enacted with very little difficulty. His refusal to call a special session of Congress irritated its members, always jealous of their prerogative, and allowed opportunity for isolationism to reassert itself. The rider

to the resolution of approval was the result.

It was with full knowledge of the seriousness of the financial crisis abroad that Mr. Hoover wrote in his message: "It is clear that a number of the governments indebted to us will be unable to meet further payments to us in full pending recovery in their economic life. It is useless to blind ourselves to an obvious fact. Therefore it will be necessary, in some cases, to make still further temporary adjustments." He then went on to recommend the re-creation of the World War Foreign Debt Commission, "with authority to examine such problems as may arise in connection with these debts, during the present economic emergency, and report to the Congress its conclusions and recommendations." On the day following Mr. Mellon supplemented the President's recommendation by a vigorous statement, in the course of which, among other things, he called attention to the fact that because of the fall in sterling the burden of the American debt on the British taxpayer had been increased by one-half.

Payments on the foreign debt became due on Dec. 15. When it was evident that the moratorium would not be ratified before that date, the administration sought for an informal verbal agreement supporting it in assuring our foreign debtors that they "would not be subject to just criticism" should they fail to make their payments. Failing in this, it was obliged to rely on the pledges of support which it had received last June, and to assume the responsibility for making this statement. While there was never any real doubt that Congress would ratify, the debate was long and bitter. Ogden L. Mills, Under Secretary of the Treasury, was examined by the Committee on Ways and Means, and Secretary of State Stimson submitted to it a detailed statement of the circumstances under which the moratorium was proposed. The resolution was finally reported on Dec. 17 and passed the House on the following day by a vote of 317 to 100. The Senate ratified on Dec. 23 by a vote of 69 to 12. As adopted, the resolution carried an amendment reading as follows: "It is hereby expressly declared to be against the policy of Congress that any of the indebtedness of foreign countries to the United States should be in any manner canceled or reduced, and nothing in this joint resolution shall be construed as indicating a contrary policy or as implying that favorable consideration will be given at any time to a change in the policy hereby declared."

While the resolution was before the Finance Committee of the Senate a number of prominent New York bankers were called to give testimony. Charles E. Mitchell of the National City Bank, while not, as he said, "preaching any doctrine of cancellation," expressed his decided opinion that reparations, as they are now established, will never be fully paid by Germany, and that a further extension of the moratorium on the debts is inevitable. His company has handled, since the war, foreign bond issues totaling $1,071,955,000, and has participated in syndicate operations amounting in total to $3,260,000,000. On these issues it had a total net profit of $24,756,003. Thus far there has been no default on any of these bonds. Thomas W. Lamont of J. P. Morgan & Co. testified that, since 1920, his company had floated issues of twelve different countries amounting to $1,807,578,000. A very large proportion of these bonds are now held not by the banks but by private investors. That Germany will eventually be able to pay in full the loans that have been made to her is the emphatic opinion of Otto Kahn of Kuhn, Loeb & Co. Priority of payment as between governmental obligations and private loans is purely a question of expediency. Payments on the former may, by arrangement, be postponed without serious injury to na-

tional credit. Any default on the private loans, however, would immediately react on the economic life of the debtor country and make payment of the public loans impossible. Although he did not, in any sense, advocate cancellation of the war debts, he believes that arrangements for their payment should be modified in consequence of the present emergency.

DISARMAMENT CONFERENCE

The lucid discussion of the task of the coming disarmament conference by Professor Lindsay Rogers (see pages 629-637 of this issue) makes necessary only the briefest reference to it in this place. The American delegation is to be headed by Ambassador Charles G. Dawes, and will include Hugh S. Gibson, Ambassador to Belgium, Senator Swanson of Virginia, Norman H. Davis, President Mary E. Woolley of Mount Holyoke College, with Hugh R. Wilson, Minister to Switzerland, as alternate. Both foreigners and Americans have expressed regret that Secretary Stimson is not a member of the delegation, but apparently he cannot be spared from Washington during the protracted sittings of the conference. Plans for the organization of the conference, which will open at Geneva on Feb. 2, have virtually been completed. They call for the formation of five commissions, the first of which, to be known as the general conference committee, will be composed of the heads of the sixty-five delegations, and will discuss the political and juridical aspects of the problem. The four others will consider respectively questions related to armies, navies, aviation and budgetary control. The five presidents of the commissions, together with the vice presidents of the conference as a whole, with Secretary General Drummond, will constitute a steering committee. The full conference will meet daily, and to it will be presented the various national proposals. These projects will be considered by the steering committee and referred to the proper commission for discussion.

Basle Report on German Finances

THE following is the text of the Young Plan Advisory Committee report, complete except for the preamble and the annexes. It was signed on Dec. 23, 1931, and approved by the directors of the Bank for International Settlements on Jan. 11, 1932:

Chapter 1.

The circumstances in which we have been called together are so well known that no lengthy recapitulation of events is necessary. The world depression started two years ago and gradually gathered force until it broke in the Summer's credit crisis.

Every country has been shaken by that crisis, but the effects in Germany as well as in some countries of Central and Eastern Europe were devastating. Sweeping withdrawals of foreign credits led to the crippling of the German banking system, and strained the reserve and credit position of the Reichsbank to the uttermost, so that in order to protect the currency it was necessary to impose stringent measures of exchange control which accentuated the already serious restriction in the volume of economic activity.

The pressure upon the whole structure of Germany culminated in the emergency decree of Dec. 8, 1931, which includes measures without parallel in modern legislation. The following paragraphs sketch in brief an outline of the situation which these developments created in Germany today.

Germany was peculiarly susceptible to a credit crisis by reason of the large amount of her short-term foreign liabilities. In the first seven months of 1931, Rm. 2,900,000,000 of short-term credits were withdrawn, principally in June and July. ["Rm." is the symbol for the German reichsmark, with a par value of 23.8 cents.]

The German Government census of the amount of foreign capital in Germany on

July 28 shows that the total commercial debt, in particular the amount lent at short term, was even larger than was indicated in the available figures which were submitted to the bankers' committee early in August last.

This census indicates that the total of the advances repayable by Germany at short term outstanding at the end of July amounted to nearly 12 milliards. But this figure of Rm. 12,000,000,000 includes nearly Rm. 4,000,000,000 of non-banking credits, which in all probability are not so likely to be withdrawn to the same extent as banking advances, and to a considerable extent are set off by direct counter-assets.

The standstill agreement, under which the banking creditors of Germany undertook not to call in their credits for six months as from Sept. 1, 1931, applies to rather more than half of the Rm. 12,000,000,000. The standstill agreement, however, permitted the repayment of certain credits, and under these provisions sums estimated at Rm. 1,200,000,000 have been withdrawn during the period ended Nov. 30, 1931.

Some setoff for recent withdrawals has been found in the fact that they have coincided with a growing export surplus which began at the end of 1929. The figures are as follows:

Monthly average in millions of reichsmarks, 1925-29—imports, 1,051; exports, 959; surplus of imports, 92.

Monthly average in 1930—imports, 866; exports, 1,003; surplus of exports, 137.

Monthly average, January to June, 1931—imports, 634; exports, 794; surplus of exports, 160.

Remainder of 1931—July, imports, 562; exports, 827; surplus of exports, 265. August, imports, 454; exports, 803; surplus of exports, 349. September, imports, 448; exports 835; surplus of exports, 387. October, imports, 483; exports, 879; surplus of exports, 396. November, imports, 482; exports, 749; surplus of exports, 267.

The recent heavy export surplus is in part the result of certain abnormal factors, and it is doubtful if economic conditions will permit it to continue at the same high level. Exports have been maintained partly because the need for cash has put pressure on manufacturers to sell off stocks, in many cases at a loss, while some exceptional sales have been made to Great Britain in anticipation of tariffs.

Imports have been reduced because unemployment, lower wages and high taxation have reduced the consuming power of the country, and therefore the demand for imports of consumable commodities. The general reduction of industrial activity has curtailed the demand for imports of raw and semi-finished materials, and in any case the sharp reversal in the flow of foreign credit handicaps purchases abroad.

The surplus has, moreover, been increased by the fact that up to now the world price level of the type of goods imported into Germany, viz., raw materials, foodstuffs, &c., has fallen much more than that of the type of goods exported by Germany, viz., finished products.

But it is impossible to disregard the existence of powerful general factors adverse to the continuance of this favorable development. Tariffs, exchange control measures in other countries, import restrictions and contingencies, together with the enhanced competition Germany is likely to meet through the depreciation of sterling and other currencies, all tend to hamper German exports; on the import side it will be necessary for Germany to replenish her stocks of raw materials and to purchase food from abroad.

In any case, the surplus represented by the above figures has not become immediately available to Germany in the form of foreign exchange, which can be utilized to repay debts. In view of the prevailing lack of confidence, there has been an increasing tendency to call upon Germany to pay cash for her imports, while she has had to give extended credits for her exports. In particular, German exports to Russia, which are running at about 80,000,000 reichsmarks a month, on the average of the last four months, have been made on very long credit terms. On the other hand, even exporters have been able, in spite of legal restrictions, to keep abroad part of the foreign exchange resulting from exports.

Taking the year as a whole, the extent of the exodus of capital which Germany has to meet by means of an export surplus (disregarding the qualification explained in the preceding paragraph), together with such other resources as have been available to her, is indicated by the following rough balance sheet for the year 1931.

	(Millions of Reichsmarks)
Export surplus for year (estimated) including services and deliveries in kind	3,000
Utilization of foreign assets of German banks	1,300
Rediscount and other credits, including that from central banks and the Bank for International Settlements	1,200
Drawn from gold, &c., reserve of Reichsbank	1,700
Total	7,200
Reparations to June 30, 1931	800
Interest and normal amortization on Germany's foreign liabilities (estimated)	1,500
Balance representing capital withdrawn	4,900
Total	7,200

An examination of the above table, which can obviously be only an estimate, as will be seen from the report of the subcommittee, shows how great a part of Germany's income from the surplus of exports has been absorbed by the amounts required for the interest and normal amortization of her foreign liabilities and for reparation payments before the Hoover plan.

The withdrawal of capital, besides exercising considerable pressure on the balance of trade, as already described,

forced Germany to have recourse not only to reserves held against their foreign liabilities by German private banks, but also to increase such credits as were commercially available by the rediscount credits granted to the Reichsbank and the Gold Discount Bank. This did not obviate heavy sales of gold, and the striking feature of this balance sheet is the drain which the withdrawal of capital has placed upon the reserve of the Reichsbank, which has profoundly influenced the policy of the latter.

The Reichsbank reserve, which stood at Rm. 2,685,000,000 at the end of 1930, and even at Rm. 2,576,000,000 at the beginning of June, 1931, had fallen to 1,610,000,000 on July 31, 1931. Of this last amount, however, it owed at short-term Rm. 630,000,000 in respect of the rediscount credits granted to it by the Bank for International Settlements and central banks, and to the Gold Discount Bank by an American banking consortium.

In order to insure that the necessary foreign exchange should be available to meet the service of Germany's long-term debt, for such repayment of short-term credits as is permissible under the standstill arrangements, and for the imports necessary to Germany, the Reichsbank has been forced to take or recommend a series of measures of increasing stringency, in order to limit to the greatest possible extent the other calls for foreign exchange which might be made upon it.

Nevertheless, the reserve has fallen still further, until on Dec. 15, 1931, it was no more than Rm. 1,161,000,000, of which Rm 630,000,000 represent the amounts due under the rediscount credits referred to above.

The percentage cover for note issue has thus fallen to 25.6 per cent, or if the Rm. 630,000,000 be excluded to 11.7 per cent. The note circulation itself amounts to approximately Rm. 4,600,000,000, which compares with a figure of Rm. 4,300,000,000 a year ago. In view of the reduction of business activity the last year, as well as of certain measures taken to economize in the use of currency, the present note circulation is high; this may be attributed to a decrease in the velocity of circulation and to a certain tendency on the part of the public to hoard notes.

An important change in the situation is revealed by an examination of the volume of bills now held by the Reichsbank and the private banks, respectively. Before the crisis the proportion of gold and foreign exchange to the total note issue fluctuated around 60 per cent, e. g., on April 4, 1931, the Reichsbank held gold and exchange reserves of Rm. 2,526,000,000 and domestic bills of Rm. 1,520,000,000, against a total note issue of Rm. 4,340,000,000, i e., 58 per cent of the note issue was covered by gold and foreign exchange.

At the same time the credit banks held nearly 2,900,000,000 reichsmarks of domestic bills, representing an immediately liquid asset which the credit banks held as a reserve against their deposit liabilities.

The heavy withdrawal of deposits from the credit banks during the crisis, whether by external or internal creditors, induced the banks to seek assistance from the Reichsbank by discounting such material as they had available, and in addition creating (to some extent, with the assistance of the Acceptance and Guarantee Bank), further material for discounting with the Reichsbank.

The latter has thus to a considerable degree extended its own credit in substitution for the deposits and other credits which have been withdrawn from the credit banks, as well as from savings banks. As a result, the domestic bill holding of the Reichsbank on Dec. 15, 1931, amounted to 4,203,000,000 reichsmarks (including 542,000,000 reichsmarks of bills set aside against credits granted to the Reichsbank as referred to above), while that of the credit banks on Oct. 10, 1931 (the last available date), has fallen to 1,792,000,000 reichsmarks. In these circumstances we hesitate to express an opinion on the advisability of the recent reduction in the Reichsbank rate.

In order as far as possible to protect the external position—the reichsmark exchange and the export market—Germany has pursued a deliberate policy of stringent and sharp reduction of the level of wages and prices. The index figure of wholesale prices fell from 140 in November, 1928, to 106 in November, 1931, and prices are further to be reduced under the emergency decree of Dec. 8, 1931, while wages are reduced under that decree to approximately the level prevailing at the beginning of 1927.

Taking 1928 as 100, the index of industrial production rose to 101 in 1929, fell to 86 in 1930, and for September, 1931 (the latest figure available), it had fallen to 66—in other words, one-third of the industrial life of Germany has stopped.

This gradual atrophy of industrial and commercial activity has further increased unemployment, which was already high before the crisis. The figure of unemployed (excluding part-time workers) on Dec. 1, 1931, had reached a level of 5,000,000 out of approximately 21,000,000 employed persons.

The crisis has also seriously affected German agriculture, which in 1925 employed about 30 per cent of the working population of Germany. Having contracted debts at high rates of interest when prices were high, it now finds it difficult, if not impossible, to earn sufficient to meet the interest on these debts, and measures of protection and of financial relief, amounting almost to a moratorium, have been taken in order to prevent general collapse.

Ever since the inflation period the demand for capital in Germany, in relation to the supply from domestic sources, has kept interest rates above those prevailing in other countries. During 1930, advances to manufacturers of first-class standing seldom cost less than 8 per cent; in recent months the cost has been about 50 per cent more, i. e., rates have risen to about 12 per cent. This burden naturally imposes a heavy strain on German industry, and is one of the causes of the present decline in industrial activity.

The decline of economic activity, the

fall of profits resulting from the fall in prices, and the lower yield of the taxes on wages due to increased unemployment and lower wage rates, have seriously reduced the yield of taxation. This fall (taken in conjunction with the cost of maintaining the growing army of unemployed) has produced a critical situation in the public finances of Germany.

In the five years preceding the depression the revenue and expenditure of the Reich, the Federal States and communes showed a rapid increase. Owing to a system of taxation under which the latter received a proportion of the taxation collected by the Reich, the situation can best be shown by combining the budgets of all the authorities concerned. The figures are shown in the following table, which also gives the total expenditure of all these authorities, including expenditure covered by receipts from State property, from loans and from other sources (all figures are in millions of reichsmarks):

Taxes raised and retained by the Reich (i. e., excluding tax transfers to the States).

1926-27	5,312
1927-28	6,357
1928-29	6,568
1929-30	6,686
1930-31	6,634

Taxes raised by States and Communes, including tax transfers from the Reich.

1926-27	6,363
1927-28	7,189
1928-29	7,730
1929-30	7,593
1930-31	7,482

Expenditures of the Reich.

1926-27	6,561
1927-28	7,154
1928-29	8 375
1929-30	7,987
1930-31	8,193

Expenditures of other authorities.

1926-27	10,639
1927-28	1,647
1928-29	12,426
1929-30	12,836
1930-31	12,770

(Including contribution of railway company.)

The expenditure of the Reich includes an item for reparations which rose from Rm. 1,300,000,000 in the year 1926-27 to Rm. 1,800,000,000 in the year 1930-31, i. e., about 12½ per cent of the total tax revenue of the Reich, the States and the Communes.

The revenue receipts for 1930-31 fell considerably short of the original estimates. The position in 1931-32, in which the revenue was expected to equal that actually received in the preceding year, has rapidly deteriorated. Fresh estimates made in September, 1931, showed an estimated fall in the total receipts from taxes collected by the Reich (including amounts subsequently transferred) of not less than Rm. 1,000,000,000. It is further estimated that the yield of taxes collected by the Reich at the rates in force prior to the recent decree will show a further fall next year of Rm. 1,000,000,000 and amount to no more than Rm. 7,250,000,000, as compared with receipts of Rm. 9,250,000,000 in 1929-30. This fall of Rm. 2,000,000,000 is after taking credit for the series of measures imposing taxation during the preceding two years, amounting to Rm. 1,500,000,000. Had the rates of taxation not been increased, therefore, the revenue would have fallen off in the last two years by some Rm. 3,500,000,000, or about 40 per cent.

It is estimated that the present decree will raise the revenue to approximately the same level as in the present year, i. e., about Rm. 8,000,000,000. Apart from the increase in taxation referred to above, attempts are being made to meet the falling off in revenue by sweeping reductions in expenditure. So far as the Reich is concerned, expenditure on all objects other than service of the debt, transfers to the Federal States, external war burdens and emergency unemployment relief, has been reduced from 1929 to 1932 from Rm. 4,780,000,000 to Rm. 3,720,000,000, i. e., a reduction of Rm. 1,060,000,000 or 22 per cent.

Measures similar in character have been taken by the Federal States and by the Communes. The latter were empowered about a year ago to increase taxation and they were asked to reduce expenditure, and in any cases where these powers have not been exercised the competent higher authority may step in to see that the necessary measures are taken. Part of the economies effected have, however, been offset by the increased cost of unemployment relief, due to the growth of unemployment in the last two years.

It has been possible to effect considerable economies in this sphere by reducing the average monthly benefit paid to the unemployed, which from a former average of Rm. 80.93 has fallen to Rm. 63.86 in 1931. Expenditure under the emergency relief system, which averaged Rm. 71 a month, has dropped to Rm. 67.5, while welfare relief payable by the Communes—varying according to the locality—may be estimated probably in the neighborhood of Rm. 50 monthly.

It is, however, an advantage from the purely budgetary point of view that the internal debt and the annual charge which it involves is comparatively very low as a result of the inflation prior to 1924, which wiped out the greater part of the previously existing debt. On the other hand, the German Government in the sketch estimate for 1932 has included a considerable sum for amortization of the short-term debt incurred to meet the deficit of previous years. This provision has been made by Geermany in view of the fact that the shortage of credit is such that the government is practically unable at present to rely on borrowing in the money market in order to meet its maturing short-term obligations.

In view of the measures taken in the four decrees relating to taxation and ex-

penditure issued in the last two years, and in particular in that of Dec. 8, 1931, the committee is of the opinion that the burden of taxation has become so high that there is no margin for a further increase.

The growing stagnation in German business activity has naturally been reflected in the gross receipts of the German Railway Company, which fell in 1930 by 14.6 per cent as compared with 1929. Although energetic measures of economy were taken to meet this loss of income, the surplus of receipts over operating expenses fell from Rm. 860,000,000 to Rm. 480,000,000, i. e., Rm. 180,000,000 short of the amount necessary to cover the reparation liability. A further fall has taken place in 1931, the receipts of which are 28 per cent below those of 1929, and it is estimated that the surplus of receipts over operating expenses will amount to only Rm. 178,000,000.

In these circumstances the railway in 1931 will not be able, even after drawing upon its reserves, to cover out of earnings the liabilities incumbent upon it in respect of reparation and debt charges, though the cash position is met by the financial arrangements made between the German Government, the railway and the Bank for International Settlements in connection with the Hoover plan.

It is impossible to estimate what will be the operating results of the year 1932. Nevertheless, the subcommittee who were asked to report upon the position of the German Railway Company came to the conclusion that once Germany and the world at large had recovered their balance and returned to something like the economic conditions which we are accustomed to regard as normal, the railway company, fundamentally a sound undertaking, will be able in future years, if managed on a commercial basis, to yield a net operating surplus comparable with that earned by other big foreign railway systems.

CHAPTER 2—The circumstances and conditions which have led to the present situation.

The circumstances and conditions which have led to the situation we have been describing are partly international and partly peculiar to Germany.

Like all other countries, Germany has suffered from the consequences of the extreme fall of prices, which is the characteristic trait of international economic life since the end of 1929. The fall of about 30 per cent of wholesale prices in the world as a whole far exceeds in magnitude the fall in prices that has taken place in any period of depression in the last 100 years. It is impossible to say if this fall is permanent or if it will be followed, after the acute depression has passed away, by a substantial rise. What is certain is that it has deeply affected all economic activity and that no effort to maintain prices—by whatever means it may have been attempted—has hitherto attained any success.

The sharp reduction of the purchasing power of the large masses of consumers has involved in the last two years a reduction or the complete disappearance of industrial profits, serious unemployment and an uninterrupted slump in stock exchange securities. It has threatened in consequence the status of a large number of banks; this banking crisis in its turn has provoked a general lack of confidence and involved a withdrawal of foreign capital from countries which hitherto have had the use of it, and in particular from Central Europe. It has only been possible to maintain the exchange value of the currencies of some of these countries on a nominal basis by a system of decrees regulating the exchange market and by a suspension of part of their foreign payments.

This situation has naturally aggravated the *crise de confiance* in the lending countries themselves. The abandonment of the gold standard by certain of them has created a fresh source of disturbance in international trading relations and given rise to a universal tendency to hoard, which, if it were to continue, would bring to a standstill the whole system of credit.

Finally, to this monetary crisis is now being added a tariff crisis, each country seeking to defend its diminished production against foreign imports by a fresh increase in import duties and other forms of trade restrictions, which in turn result in a still further shrinkage of international trade.

We cannot here attempt to examine all the underlying causes of this profound disturbance to the economic life of the world, but certain of its aspects are intimately linked with the problem with which we are directly concerned.

Among these factors, the banking committee which met in Basle in August had called attention to the fact that "in recent years the world had been endeavoring to pursue two contradictory policies, in permitting the development of an international financial system which involves the annual payment of large sums by debtor to creditor countries, while at the same time putting obstacles in the way of the free movement of goods," and that the case of Germany provides a most forcible illustration of this dilemma. So long as the payments to be made were offset by loans to the debtor countries this dilemma did not arise, but as soon as such capital movements ceased, as happened in the Autumn of 1929, it becomes evident that in the long run, as the Dawes committee clearly pointed out, these payments can only be made in the form of goods.

The change from a period of excessive expansion of foreign lending by certain creditor countries, followed by an abrupt cessation of such lending, constitutes one of the chief points of contrast between the period of 1924-29 and 1930-31, and has been one of the principal features in the credit situation of recent times. If barriers are imposed to the free movement of goods the world cannot readily adapt itself quickly to important changes in the course of credit and trade. Attempts to maintain the international balance of

payments by means of larger and abnormal movements of gold have weakened the monetary foundations of many countries. In fact, when the withdrawal of large sums of capital took place the gold reserves of the countries concerned proved quite inadequate to stand the strain. This led in some countries to a strict control of foreign payments and in others to the suspension of the gold standard.

Germany's demand for capital to fill the gap left by the war, the aftermath and the inflation, was very great. As a matter of fact, the influx of foreign capital which began as soon as the mark was stabilized and which was estimated by the bankers' committee to be about Rm. 18,000,000,000, has been partly offset by the Rm. 10,300,000,000 of reparation payments.

But in any case, between 1925 and 1930 Germany has invested a very large amount of capital in both private and public enterprises. She has, for example, reconstructed the merchant fleet, has modernized and rationalized many of her industries, and her towns have carried through large programs for public purposes. Figures furnished by the German delegation show for the period of 1924-29 the investment of a sum amounting to Rm. 32,845,000, of which Rm. 22,428,000 represents investments by public authorities for public utilities, housing (other than houses financed purely by private means), roads, canals, &c.

These sums have, of course, been forthcoming partly from Germany's own savings, which reached very high figures in the course of recent years. But the foreign holding of so large a proportion of her capital wealth makes her peculiarly vulnerable to financial disturbance, particularly to the extent that this capital is withdrawable at short notice.

Moreover, a substantial part of these short-term credits have proved to be immobilized in long-term investments. Withdrawal of these credits must therefore threaten not only the exchange but also the liquidity of banks themselves.

Turning to Germany's budgetary situation, the rapid development of Germany's economic activity in recent years has been paralleled by an increase of government expenditure. The continued increase of expenditure from 1925 to 1930 has absorbed as fast as it came into being the growing taxable capacity of Germany. In spite of a rapid increase in normal receipts, which increased between 1926-27 and 1929-30 from Rm. 14,719,000,000 to Rm. 18,054,000,000, the increase of expenses has been equally rapid. Indeed, they have risen from Rm. 17,200,000,000 to Rm. 20,823,000,000, and have resulted in an increase of debt. Among the expenditure items, outgoings for buildings, education and social charges (chiefly due to increasing unemployment) have continuously increased and now represent 43 per cent of the total expenditure, and amount in 1929-30 to Rm. 8,897,000,000.

While expenditure thus increased the debt grew in a disquieting fashion. When stabilizing took place, inflation had reduced the public debt to a very small amount. On the other hand, by 1931 this debt reached more than Rm. 24,000,000,000, of which Rm. 8,400,000,000 was for public undertakings (water, gas, electricity, transport and roads), for the building of houses and for various public works (hospitals, sanatoria, &c.). In particular, from 1928 to 1931 the debts of the States and Communes increased from Rm. 7,500,000,000 to Rm. 12,700,000,000.

When the crisis came, with the inevitable reduction of private incomes and budgetary receipts which it naturally involved, the fact that expenditure had been so high meant that the deficit was correspondingly large.

This policy of growing expenditure and also the system of financial relations which exist between the Reich, the States and Communes have often been the subject of criticism. The Reich levies taxation of which it retains part only, and of which a proportion fixed by law is automatically handed over to the States and Communes, which only cover their expenditure from their own resources to the extent of 75 per cent.

Such a system means that the control of expenditure is divorced from the responsibility of raising the revenue to meet it, and although the system may have been moderated by recent ordinances of the region, we think that reform in this matter would have beneficial results.

In concluding this analysis of the circumstances and conditions which have given rise to the present budgetary position of Germany the following observation should be made:

Notwithstanding the exceptional character of the present crisis, there is no instance in economic history of a crisis, no matter how great, which was not followed by periods of stability and prosperity. Just as it would be wrong to forecast a country's economic future on the basis of a period of prosperity, so it would be unjustifiable to judge its chances for the future on the basis of a period of depression.

At the present time the budgets of all countries and of almost all privately or publicly owned railways show a deficit. In every country efforts are being made to restore the equilibrium of these budgets by cutting down expenditure and by adjusting receipts to changed conditions. To assure that in the present case equilibrium will not be regained would be a counsel of despair.

What is true of budgets and railways of other countries is obviously equally true of Germany. In past years Germany has built up an immense and powerful economic equipment, capable of yielding a great return. The restriction of markets and the fall of prices have prevented her from utilizing this equipment to the full.

The activity of her factories is now necessarily reduced, but although it is impossible to fix a date for her recovery of stability, which is still threatened today, it is none the less certain that this sta-

bility will ultimately be restored with the help of the measures suggested in Chapter 4.

In the course of our investigations we were able to ascertain from the figures submitted to us that, as regards both railways and budget, receipts are no less elastic in the case of Germany than elsewhere.

On the other hand, it would be rash, both in the case of Germany and in the case of other countries, to presume to indicate the precise moment at which this exceptional and unfortunate period through which we are now passing will come to an end.

CHAPTER 3.—Special measures taken by Germany to meet the crisis.

In the course of its deliberations the committee had the opportunity of receiving a synopsis of the special measures taken by the German Government by form of emergency decrees, as from July, 1930, in order to meet the increasing difficulties of the situation.

The primary object of the German Government was to secure the stability of the currency and in general the functioning of the German economy within the frame of world economy. To this end they devoted all their efforts in securing the balance of the budget, not only in the Reich but also in the States and communes.

Direct taxation was augmented by two increases in the income tax; indirect, by the imposition of further heavy duties on beer and tobacco, while finally the turnover tax has lately been increased from 0.85 to 2 per cent.

Sweeping economies have been effected in the expenditure of the Reich; a series of cuts in the salaries of all servants, reducing them by over 20 per cent, has been made in the last eighteen months so that salaries will be now on a lower level than at the beginning of 1927.

Similar measures have been taken with regard to the budgets of the Federal States and the communes. The latter have been authorized, and in certain cases compelled, to levy new and additional taxation in the form of a poll tax, a local beer duty and a tax on beverages. The reductions in salaries apply also to officials employed by these bodies.

A further main point in the program of the government was the reduction of wages, while considerable reductions in the score and scale of the benefits paid by the Insurance Institute have been made.

A further main point in the program of the government was the reduction of prices and wages. Prices were generally reduced by 10 per cent. Rents are being reduced to a similar percentage. Even the rates of interest on long-term obligations must be reduced by about 25 per cent. In the sphere of wages a general reduction to approximately the level prevailing at the beginning of 1927 has to take place.

The magnitude of the crisis forced the government to emergency measures in the field of credit policy. Such measures have been taken for supporting a series of banking institutions and for strengthening the position of the money market. A system of general control of the banks has been set up, with a commissioner responsible to a board, including representatives of the Reichsbank and of the competent government authorities.

New regulations have been made for the carrying on of the business of the savings banks and allied institutions, in particular limiting the extent to which they may finance the municipalities in the future. For the time being they are not allowed to grant them new credits. The law governing public companies has been revised and the provisions regarding the responsibility of directors sharpened, while new regulations are made regarding the auditing of accounts.

Transactions in foreign exchange have been centralized in the Reichsbank with a view to limiting the purposes for which foreign exchange may be acquired, and all purchases of foreign exchange require prior authorization. All persons becoming possessed of foreign exchange, whether by exports or otherwise, are compelled to offer their holdings to the Reichsbank. It is no longer possible to remit abroad the proceeds of sales of securities on behalf of foreigners. Stringent provisions seek to limit the flight of capital. All the above mentioned prescriptions are secured by heavy penalties (fines and prison). Repayment of foreign credits is regulated by the standstill agreement, or, if not covered by this agreement, under decree.

Finally, in order to prevent widespread collapse of agricultural credit, measures amounting practically to a moratorium for agricultural debts have been taken, chiefly for the eastern parts of Germany. Farmers suffering from special difficulties are allowed to appeal for protection against foreclosure or distraint on condition that they carry on their business under the supervision of trustees, pending approval of a scheme for relieving them of the immediate burden of their debts. Such schemes may provide for the reduction of interest rates and diminution of the capital debt, in certain cases even without the consent of creditors.

The question how far the measures described above will be successful cannot be answered at the present moment. But the committee considers that the steps taken to defend and to maintain the stability of the currency and budget show, in their opinion, a resolute desire on the part of the German Government to meet the situation.

CHAPTER 4—Conclusions.

It is evident from the facts outlined in the preceding chapters that Germany would be justified in declaring—in accordance with her rights under the Young Plan—that in spite of the steps she has taken to maintain the stability of her currency she will not be able in the year beginning in July next to transfer the conditional part of the annuity.

The committee, however, would not feel that it had fully accomplished its

task and justified the confidence placed in it if it did not draw the attention of the governments to the unprecedented gravity of the crisis, the magnitude of which undoubtedly exceeds the "relatively short depression" envisaged in the Young Plan—to meet which the "measures of safeguard" were designed.

The Young Plan, with its rising series of annuities, contemplated a steady expansion in world trade, not merely in volume but in value, in which the annuities payable by Germany would become a factor of diminishing importance. In fact, the opposite has been the case. Since the Young Plan came into effect, not only has the trade of the world shrunk in volume but the very exceptional fall in gold prices that has occurred in the last two years has itself added greatly to the real burden, not only of German annuities but of all payments fixed in gold.

In the circumstances the German problem- which is largely responsible for the growing financial paralysis of the world—calls for concerted action which the governments alone can take.

But the problem has assumed a world-wide range. We can recall no previous parallel in time of peace to the dislocation that is taking place and may well involve a profound change in the economic relations of nations to one another. Action is most urgently needed in a much wider field than that of Germany alone.

The economic interdependence of the various countries of the world today needs no further proof; recent years have most strikingly illustrated it.

Since July last, for example, it has been evident that if the crisis by which Germany has been overwhelmed were not remedied it would spread to the rest of Europe, destroy the credit system so painstakingly built up, and cause profound repercussions in other parts of the world.

The committee appointed by the Bank for International Settlements, on the invitation of the London Conference, after describing this situation in its report of Aug. 18, 1931, sounded a most emphatic note of warning, urging that if disasters were to be avoided before the period of postponement of credits recommended by that conference expires on Feb. 29, 1932, immediate steps must be taken by the governments.

But events did not wait. The year 1931 has not yet ended, and already the crisis has taken formidable dimensions, shattering the exchanges of many countries one after the other and accumulating difficulties which, if not dealt with, will only prove the forerunners of further catastrophes. Unemployment has increased; Stock Exchanges remain closed; economic activity continues with difficulty at a very low ebb in the face of restricted credit, rigid control of the exchanges and paralyzing restrictions on international trade. Slowly the effects of shrinking economic activity are making themselves felt in one country after another.

This state of things is complicated by the repercussion of economic affairs on the political situation and vice versa. The economic decline which has taken place in the last two years, the increasing distress which it has brought in its train, have produced a general political instability from which an anxious world is suffering more and more.

Similarly, political considerations have often been allowed to influence the treatment of economic problems by the governments, thus preventing the latter from viewing these problems in their true light and from dealing with them on their merits. When governments come to examine the whole group of questions allied to the subject of the present report, they will have to take account of many matters relevant to these complex problems—which can only be solved in conformity with economic realities.

In this connection certain considerations seem to us of greater importance.

The first is that transfers from one country to another on a scale so large as to upset the balance of payments can only accentuate the present chaos. It should also be borne in mind that the release of a debtor country from a burden of payments which it is unable to bear may merely have the effect of transferring that burden to a creditor country, which, in its character as a debtor, it in its turn may be unable to bear.

Again, the adjustment of all intergovernmental debts (reparations and other war debts) to the existing troubled situation of the world—and the adjustment should take place without delay if new disasters are to be avoided—is the only lasting step capable of re-establishing confidence, which is the very condition of economic stability and real peace.

Finally, although the German Government is energetically defending the stability of its currency, steps are necessary to secure that these measures shall have a permanent effect.

The European governments during recent years have made great efforts toward re-establishing the stability of currencies after the disasters of war and post-war inflation. The destruction of this work would mean an extremely disquieting setback, which would be heavy with consequences. The maintenance of the stability of German currency, as of the currency of any debtor nation, may be placed in the greatest peril if the confidence of the investors is lost.

We appeal to the governments on whom responsibility for action rests to permit of no delay in coming to decisions which will bring an amelioration of this grave crisis which weighs so heavily on all alike.

ALBERTO BENEDUCE, Chairman,
DR. RUDOLF G. BINDSCHEDLER,
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Congress Debates Nation's Problems

By E. FRANCIS BROWN
Associate Editor, Current History

THE history of the Seventy-second Congress at the end of the first month of its work was not striking, even though more than two weeks were lost because of the holiday recess. As in other years and in other Congresses, the opening of real legislative action was delayed by an excess of oratory designed for political effect. Possibly Congressmen were somewhat awed by the magnitude of the program before them and hesitated to begin work upon it; possibly, also, there was a desire on the part of Senators and Representatives to wait until the attitude of the people toward the President's proposals for improving conditions could be ascertained.

The most pressing issue before Congress was ratification of the one-year moratorium on German reparations and intergovernmental debts. In the debates on the moratorium which were heard in both houses, the old spirit of isolationism was much in evidence—a development disheartening to many Americans who had hoped that the time was at hand for active and formal participation by the United States in European affairs. In the Senate Hiram Johnson of California was the outstanding opponent of the moratorium proposal. Representative McFadden of Pennsylvania caused a sensation in the House when, during the debate on the suspension of payments of intergovernmental debts, he virtually charged President Hoover with having "sold out" the country in proposing the moratorium. As a result of his opposition to party leadership the Representative has been excluded from postoffice patronage in his home district. Certainly before the moratorium was finally passed by the Senate, on Dec. 22, and signed by the President the next day, two schools of political theory had again become pronounced in Congress—the isolationists, who favor abstention from European affairs and apparently would like to develop the home markets for industrial and agricultural outlets, and the internationalists, who regard the world as a political and economic unit in which we must play a diplomatic rôle corresponding to our stake in the world's markets.

As an outgrowth of the moratorium debates the Senate Finance Committee, acting on the request of Senator Johnson, held many hearings on the foreign loans floated in the United States which bear on war debts and the moratorium. The testimony of the nation's outstanding bankers at these hearings (see article by Mr. Gerould on page 697 of this issue) served somewhat to allay the fear of the international financier which has been raised in the United States during the past year or more.

The question of reparations, war debts and private foreign debts has exercised the minds of American citizens and their representatives during the past months as never before. Senator Borah on Dec. 24 urged the abandonment of reparations as an alternative to European "bankruptcy." Throughout the month the press of the country rang the changes on the various theories or attitudes toward this problem which has so long plagued the world. Nevertheless, in spite of the obvious interest and concern of America and Americans with the reparations muddle, the Hoover

Administration showed little interest in the plans of the European powers for a conference on reparations. In the words of Ogden L. Mills, Under-Secretary of the Treasury, "there will be no trip to Europe this Winter."

When Congress reconvened on Jan. 4 after the Christmas holidays attention was turned again to the President's plans for economic relief. Foremost in this regard was the proposal for a Reconstruction Finance Corporation which would aid the banks in resuming their normal functions by relieving them of their frozen assets. The corporation, working through the Interstate Commerce Commission, would also be able to make loans to the railroads. Hearings on the Reconstruction Finance Corporation by the House and Senate Committees on Banking and Finance were begun on Dec. 18. General approval of the plan was met on all sides, and as a result—after a special plea to Congress from President Hoover to hasten his relief measures—the bill was reported favorably to the Senate on Jan. 6. The bill provided for a corporation with a capital of $500,000,000 and under the general direction of the government which shall be able to make loans to the banks and railroads which under present conditions are unable to obtain necessary funds.

In spite of a good deal of sound and fury about relief measures, the Reconstruction Finance Corporation alone had received attention at the end of the first month of the Congressional session. Legislation for the tax increases which are essential to overcome the constantly increasing treasury deficit has been delayed by a Democratic tariff bill. The question of the tariff was certain to be aired in this Congress. Alongside efforts for downward revision there has been lobbying, especially by representatives of copper and oil interests, for rates on particular commodities. The Democratic proposal avoids opening the entire question of tariff rates by restricting its proposals to more general matters of policy. The bill set forth three points: transfer of the power to raise or lower rates, following reports of the Tariff Commission, from the President to Congress; appointment of "consumers' counsel" to represent the public at tariff board meetings; establishment of a permanent "international economic conference" on tariffs.

The issue of navy appropriations was reopened on Jan. 4, when Representative Vinson, the new Democratic chairman of the Committee on Naval Affairs, introduced a bill calling for a ten-year construction program at a cost of about $616,000,000. The bill embodied essentially a plan for replacement which was worked out by the General Board, approved by Secretary of the Navy Adams, and then disapproved by President Hoover. The Vinson bill was strongly endorsed by Secretary Adams as likely to make for greater economy and efficiency in navy operation.

Meanwhile the effort to further governmental economy and to reduce expenses continued. President Hoover, it was announced on Dec. 29, would soon send to Congress a special message urging the consolidation of government departments and bureaus in the interest of both economy and efficiency. Senator Borah sponsored a more striking measure for reducing expenses—the reduction of the salaries of Federal officers with the exception of the President and members of the Supreme Court. The deficiency bill for the 1932 fiscal year, which was introduced in the House on Jan. 4, authorized total appropriations of $125,886,262—$13,443,900 less than the budget estimate recommended by President Hoover.

At the opening of Congress President Hoover sent to the Senate nominations for many important posts. Among them was the name of Robert Lincoln O'Brien to be chairman of the Tariff Commission in place of Henry P. Fletcher, who resigned in November.

THE POLITICAL OUTLOOK

Although party conventions are only six months away and the national election is due in ten months, it is hard to discover any great interest in the country over political prospects. President Hoover's unpopularity with a large part of the electorate is evident, but much can happen to alter fickle public opinion before the election. His renomination by the Republicans, in spite of some dissentient voices, seems assured. Under the direction of Horace Mann of Tennessee, the leader of the Hoover campaign in the South in 1928, an anti-Hoover Republican organization has been formed, but its real strength is unknown. On Jan. 4 an editorial in Ruth Hanna McCormick's paper, the Rockford (Ill.) *Register Republic*, urged that the Republican party abandon its traditional policy of renominating a Republican President and begin to seek out "the best man in the United States."

At a meeting of the Republican National Committee in Washington in mid-December it was decided to convene the party's national convention at Chicago on June 14. Although President Hoover was reported to be hopeful of a party victory in next November's elections, the party leaders did not share his optimism. Some went so far as to say that "only the most grievous mistakes by the Democrats" could guarantee Republican success at the polls. Certainly the election on Jan. 5 of a Democratic Representative at a special election in the rock-ribbed Republican stronghold of New Hampshire was discouraging.

The probable candidate of the Democratic party still remains in doubt. Whether Governor Roosevelt of New York has maintained his early lead as the party's most likely standard-bearer is disputed among his followers and the supporters of other contenders for the nomination. The candidacy of Newton D. Baker, Secretary of War in the last Democratic Administration, has been advanced by Martin L. Davey, a former Ohio Representative. The Baker candidacy has also been approved by the Richmond (Va.) *News-Leader*. None of these possible candidates has announced any interest in the nomination, although Mr. Baker made what many regard as a declaration when he wrote recently: "The movement which suggests a Presidential candidacy for me is based upon the need of a revived liberalism and a refreshed idealism in the country. To that cause I am deeply committed and for it I want to fight. Whether carrying a banner or marching in the ranks seems to me to make little difference." Alfred E. Smith, the Democratic candidate in 1928, and still party leader, is regarded in some circles as a possible candidate, but this position is one which lacks confirmation.

On Jan. 7 at a dinner in Baltimore, Governor Albert C. Ritchie's candidacy for the Democratic nomination was announced.

The Democratic convention is to be held at Chicago, beginning June 27, and in the same auditorium in which the Republicans will choose their candidate and draw up their platform.

THE PROHIBITION ISSUE

The prohibition issue which has been lost sight of somewhat during the past six months of economic trouble has reappeared in the halls of Congress. Representative John Q. Tilson of Connecticut offered a constitional amendment to the House on Dec. 15 which would permit each State to enact a liquor law of its own, although barring forever the old-time public saloon. A fortnight later Representative Rainey, majority leader in the House and a dry, announced that there would be only one vote on the prohibition question in the House this session. The Wet forces, he declared, could not have both a roll-call on a referendum on the Eighteenth Amendment and a ballot on the return of light wines and beer. Meanwhile hearings had been arranged before the Senate Judiciary Committee on pro-

hibition repeal and measures for modification. Whether prohibition would play an important part in the 1932 campaign no one can tell. At least on the Democratic side voices have been heard proclaiming that "bread, not beer," will be the principal campaign issue. Interest in prohibition does not seem to be as keen as even a year ago—possibly because of the hard times in the country, or because people have become accustomed to the existing methods of obtaining all the liquor they desire—or can afford—and hesitate to advocate a change which might disturb their present habits.

THE NATION'S BUSINESS

The many surveys of the nation's business which were inspired by the new year, resembled somewhat the whistling of a small boy to keep up his courage. Although leaders of industry and of banking placed themselves on record as expecting economic recovery during 1932, they hastened to admit that the present situation gave little support to these expectations. Indices of business activity continued their downward trend during December; the weekly index of *The Annalist* moved with only slight irregularity downward during the year, from 77 for the week ended Jan. 3, 1931, to 63.7 for the week ended Dec. 19. Car-loadings, once considered so certain an indication of business conditions, totaled 581,733 for the week ended Dec. 19—31,801 cars less than for the preceding week and 132,132 cars below the figure for the same week in 1930. Other indices tell a similar story. Nevertheless, business leaders in the face of their disastrous prophecies of better times during the past two years ventured to be optimistic, and it may well be that, even as in earlier periods of economic disturbance, forces are in operation which may slowly restore the nation to the normal life of trade.

Although bank failures during November declined to 169, as compared with 522 in October, a discouraging note crept into the situation in December and early January, when New England's banking structure, which heretofore had withstood the strain, began to give way. On Dec. 14 the Federal National Bank of Boston was closed, and as a result of either connection with the Federal National or because of heavy withdrawals fifteen other banks in New England closed their doors within the next four days. On Jan. 2 the City Bank and Trust Company of Hartford, Conn., with more than $20,000,000 in deposits, closed its doors and caused two smaller banks to suspend.

During the period between Jan. 1, 1921, and Sept. 30, 1931, according to the annual report of J. W. Pole, Controller of the Currency, 8,000 banks failed in the United States. In the year ended Oct. 30, 1931, 2,342 banks failed with aggregate deposits of $2,008,729,000. But these failures for the most part involved small institutions; during the decade 1921-1931 60 per cent of the banks which were closed had a capital of $25,000 or less. Senator David I. Walsh, in an address before the Massachusetts State Democratic Committee on Jan. 2, declared that there are $2,000,000,000 of frozen assets in the closed banking institutions of the United States and $100,000,000 in Massachusetts alone.

Meanwhile, hoarding, which became a dangerous complication to the financial situation in the late Summer and early Fall, apparently has been checked. Although on Nov. 30 money in circulation amounted to $5,534,557,200—$874,000,000 more than a year ago—this total was $6,000,000 less than in the previous month.

Business failures in November totaled 1,997, as compared with 2,348 in October and 2,004 in November, 1930. Liabilities involved amounted to $123,384,613, compared with the October total of $508,251,432. The figures for December were not available on Jan. 4, but apparently the extreme

pessimism during the Fall which was partly responsible for many of these failures had passed sufficiently to alleviate the situation.

The foreign trade of the United States declined $2,379,000,000 during 1931, according to a recent bulletin issued by the Bureau of Foreign and Domestic Commerce. Exports fell $1,418,000,000 and imports $961,000,000. This decrease in foreign trade reflected an equivalent falling off in domestic business. Exports during November fell to $193,000,000—$11,895,000 less than in October. Imports in November reached the lowest point for any month since August, 1915, with a total value of $150,000,000. The largest actual dollar decline for the year was in exports to Canada, which showed a decrease of 39 per cent, or $208,834,000.

The condition of agriculture which has for so long been a particular problem of American economic life has been and continues to be critical. During 1931 the money income of American farmers declined 26 per cent from the figure for the previous year and 42 per cent below the total for 1929. Yet according to a report on Dec. 31 from the Department of Agriculture the total volume of crops and live stock sold or consumed in 1931 was about 2 per cent above average.

DISTRESS OF THE RAILROADS

The railroads, whose distress has had a far-reaching effect on the nation, continued during December to struggle out of the engulfing quicksands of the depression. Constantly decreased income has caused the passing of dividends and an amazing depreciation of railroad securities. As a result three general demands have been put forth by the roads: higher rates, reduction of employes' wages and, in one form or another, government aid. Higher freight rates were granted by the Interstate Commerce Commission on Dec. 24, and in spite of customary rules for tariff changes, the rates became effective on Jan. 4, 1932. The increase in rates, it was hoped, would add to railroad income between $100,000,000 and $125,000,000 annually. The income from these increased rates, it will be recalled, is to be pooled and made the basis for loans to financially weak roads. (See January CURRENT HISTORY, pages 579-580). On Dec. 22 it was announced that the Class I carriers of the nation had assented almost unanimously to the plan for establishing a railroad credit corporation for the administration of the fund resulting from the new freight rates.

The movement for a 10 per cent wage cut of railroad workers proceeded during December. The management committee of the Railway Presidents' Association was expected to meet the Railway Labor Executives' Association early in January to negotiate a wage cut. Meanwhile, the presidents of the nation's roads had decided on Dec. 19 to seek a 15 per cent cut instead of the 10 per cent previously asked for. On many roads wages already have been reduced by 10 per cent, although these cuts have usually not affected strongly organized workers.

The Interstate Commerce Commission recommended in its annual report, issued on Dec. 10, that Congress enact legislation which will strengthen the roads in their competitive position. The recommendations of the Commission reinforced the stand taken by President Hoover in his annual message. In Congress on Dec. 10 two bills relating to the railroads were introduced: a Senate resolution proposed the study of railroad relief measures and means to aid unemployment among railroad employes; a bill introduced in the House proposed full governmental control over railroad consolidations through an amendment to the Transportation act of 1920 which would bring railroad holding companies under the control of the Interstate Commerce Commission. Daniel Willard, president of the Balti-

more & Ohio, testified on Dec. 21 before the Senate Subcommittee on Banking and Currency that railroad financing would be most difficult during the next few years unless the roads are able to borrow from the government. In a report to the Interstate Commerce Commission on Jan. 5, Leo J. Flynn, one of its examiners, recommended either federal regulation of all public motor vehicles, or modification of the anti-trust laws so that the railroads could acquire bus and truck lines now operating.

PLIGHT OF AMERICAN CITIES

One phase of the nation's financial crisis which has received little public attention is the plight of some American cities and, it is rumored, a few of the States. Chicago's financial difficulties have long been in the limelight, but the city took a step nearer bankruptcy when on Dec. 31 a court decision held invalid the county assessment rolls for 1928 and 1929. Fraud and political manoeuvring have prevented the collection of taxes for several years. As a result bonds have been defaulted by various local governments of the Cook County area, and city employes of Chicago have been constantly uncertain of their salaries. Philadelphia has also experienced financial stringency and in December was saved from paying its employes with scrip only by last-minute refinancing. Detroit recently has found itself in a critical state. In comparison with the condition of these cities is the city of Milwaukee, which has paid its bills, spent large sums on unemployment relief and at the end of 1931 expected to have $4,000,000 in the bank. Yet the difficulties in which cities have found themselves is in itself unrelated to the depression; rather is it another chapter in the long-drawn-out story of municipal misgovernment.

UNEMPLOYMENT RELIEF

Unemployment and its attendant relief measures occupied the minds of many citizens during the December holidays. The American Federation of Labor, estimating unemployment at 7,000,000, declared in its monthly survey on Dec. 18 that no improvement could be expected for at least a year, especially as continued improvements in plant efficiency were increasing technological unemployment. Although early in December Matthew Woll, vice president of the American Federation of Labor, declared that labor is opposed to unemployment insurance, a few weeks later Edward F. McGrady, the federation's legal representative, testified before a subcommittee of the Senate Committee on Manufactures in favor of Federal aid to alleviate unemployment suffering. He declared that workers had lost nearly one-third of their 1929 income during the past year—a loss estimated to be between $18,000,000,000 and $20,000,000,000.

The drives for relief funds in the cities of the United States were on the whole successful, but the great sums raised are apparently insufficient. In New York City the Emergency Unemployment Relief Committee raised over $18,000,000; yet William Hodson, executive director of the Welfare Council of that city, has declared that "relief * * * is on what might be called a disaster basis" and that adequate work can be done only with the aid of Federal funds. Similar testimony was given before the La Follette subcommittee of the Senate Committee on Manufactures by Allen T. Burns, director of the Association of Community Chests. Governor Pinchot of Pennsylvania, testifying before the same committee on Jan. 4, declared himself in favor of Federal aid for unemployment.

OUR ISLAND DEPENDENCIES

Although Secretary of War Hurley's report on the Philippines had not been made public on Jan. 5, he had confirmed rumors that it would not recommend immediate independence. Meanwhile, bills have been introduced in Congress providing for

the independence of the islands, and the Filipino mission now in the United States has stated that its aim is independence and not autonomy.

In the islands themselves three factors have caused a good deal of unrest: the economic depression and resulting low prices for staple crops; abuses by landlords, to which are joined usury and political terrorism; and agitation by Communists and other dissatisfied elements. On Dec. 10 an attempt was made by the Tangulan Society, an organization of Communists and fanatical Philippine patriots, to attack Manila and overthrow the government. The plot came to nothing, although a general round-up of suspicious characters followed and 154 members of the Tangulan Society were arrested and charged with sedition.

Dwight F. Davis on Jan 9 handed to President Hoover his resignation as Governor General of the Philippines. The resignation was accepted and the President immediately sent to the Senate the name of Theodore Roosevelt, Governor of Porto Rico, as the successor to Mr. Davis.

The Virgin Islands which came into public notice at the time of President Hoover's visit some time ago, again were "news" in December when the islanders decided to petition Congress for a five years' respite from the prohibition laws in order to restore their economic system. Governor Pearson, who recently was denounced by the St. Thomas Chamber of Commerce, has declared that the economic decline of the islands began while they were still under Danish rule. In late December Governor Pearson left for the United States to present a petition to Congress for the permanent exemption of the Virgin Islands from the United States shipping laws. Such action, it was hoped, would aid in restoring to St. Thomas its former place as a coaling station and port of call.

THE NOBEL PEACE PRIZE

The Nobel Peace Prize for 1931, it was announced on Dec. 10, has been awarded jointly to two Americans—Miss Jane Addams of Chicago and Dr. Nicholas Murray Butler, president of Columbia University. Professor Halfdan Koht of the Nobel committee declared that both recipients of the prize have spent their lives "in trying to raise the ideal of peace in their people and in the whole world."

Mexico's New War on the Church

By CHARLES W. HACKETT

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MEXICO was profoundly stirred by the religious question during December. What has been described as "the most important and significant series of Catholic festivities ever staged in Mexico" began on Dec. 1 with the official opening of the celebration of the 400th anniversary of the reported miraculous appearance of the Virgin of Guadalupe to a lowly Indian, Juan Diego, at the village of Guadalupe, three miles from Mexico City. The initial ceremonies consisted of the formal reopening of the Basilica of Guadalupe, which has recently undergone repairs costing $800,000, thus making it one of the finest structures of its kind in the Western World, and the recrowning of the Virgin with a crown of precious

stones, valued at $250,000, which was removed in 1926 during the church and State crisis. These ceremonies were participated in by two Archbishops, including the Papal Delegate, ten Bishops and the entire clergy of Mexico City; they were witnessed by more than 5,000 persons in the church.

The celebration at the Basilica of Guadalupe inspired bitter criticism from *El Nacional,* the organ of the National Revolutionary (government) party, and also punitive action by the government. Front page editorials and interviews attacking the clergy and the church featured the edition of the newspaper on Dec. 13, and the Army Headquarters Band was dismissed by Minister of War Calles because it had given an unauthorized concert at the Basilica the day before. Three days later the dismissal of all employes of the National Statistical Department who had shared in or contributed to the ceremonies at Guadalupe was ordered by Melchior Ortega, head of that department.

Bitter attacks on the church and certain government departments because of the celebration at Guadalupe were made by members of the Senate and the Chamber of Deputies on Dec. 15. Jávier Sánchez Mejorado, executive president of the Mexican National Railways, was charged with responsibility for the unprecedentedly low rates on the railroads to Mexico City because of the celebration, and Minister of the Interior Téllez was charged with being unduly tolerant of alleged unlawful and subversive Catholic propaganda. Demands were made in the Chamber of Deputies that the Mexican revolutionary government, now in power, be swept clean of all members of the Knights of Columbus and that an investigation be made of the government department which permitted the broadcasting of some of the services at Guadalupe. The same day Minister of Foreign Affairs Estrada took occasion to assert: "Since the church was disestablished in Mexico the clerics have been the enemies of all liberal and revolutionary doctrines." Foreign diplomats who attended the ceremonies at Guadalupe were reported on Dec. 15 to be planning to explain officially that they had been present at the Guadalupe ceremonies purely as a matter of courtesy.

Senator Eliazar del Valle on Dec. 16 was expelled from the National Revolutionary bloc of the National Congress for having allowed his residence to be adorned by the papal colors during the festival at Guadalupe. The same day a resolution of the bloc demanded that Finance Minister Montes de Oca explain why a grand organ, recently installed in the Basilica of Guadalupe, had been imported from Germany without the payment of customs duties. Two days later (Dec. 18) the Chamber of Deputies was requested to adopt a vote of censure against Francisco López Cortés, Governor of Oaxaca, because his wife had participated in the festivities at Guadalupe. A grand jury investigation of charges that Governor Leónides Andreu Almazán of Puebla was guilty of "pro-Catholic and anti-revolutionary sentiments and acts" was demanded in a resolution passed in the Chamber of Deputies on Dec. 22.

The anti-clerical sentiment aroused by the Guadalupe celebration apparently crystallized into a definite Congressional program when, on Dec. 22, a bill was passed by the Chamber of Deputies which limits the number of priests who may officiate in the Federal District and the Territory of Lower California to one for every 50,000 inhabitants. The same day the bill was unanimously approved by the Senate and sent to President Ortiz Rubio for his signature. The law, by providing that a priest for every 50,000 inhabitants will be permitted to serve in only one church, limits to twenty-four both the number of priests and the number of churches in Mexico City, which has an estimated population of 1,200,000. More

than 200 churches were being used in Mexico City when the law was passed. The authority for the law is found in Article 130 of the Constitution, which gives each State and the Federal District the right to restrict the number of priests to those needed for serving their congregations.

An additional restriction on the influence and activities of the clergy in Mexico was imposed by a Presidential decree of Jan. 2. This forbids the Department of Public Instruction to recognize credits of students from secondary religious schools.

A protest against the limitation of the clergy was made to President Ortiz Rubio on Dec. 23 by Archbishop Pascual Díaz of Mexico City, who insisted that the Mexican Congress is not empowered to limit the priests to a smaller number than is actually needed to minister to each community, and that the prescribed number is ridiculously inadequate. The law went into effect on Dec. 30. At the same time a Presidential decree stated that churches now in use over and above the number specified in the law might be kept open and used by the people under certain conditions.

Charged with violating the new religious law, three priests were arrested and imprisoned in Mexico City on Dec. 31 and subsequently were fined 500 pesos each. The same day Enrique Romero Courtada, Secretary General of the Department of the Federal District, made the following announcement: "Effective immediately: No priest, unless he satisfies the mandate of the law, will be permitted to exercise any function in connection with his ministry."

A legal effort to block application of the new regulation was begun by Catholics on Jan. 2 when five petitions for *amparos*, or restraining orders, against the enforcement of the law were presented in as many district courts by five priests; the petitions, however, did not constitute a formal filing of actions, but were presented merely for the judges to study.

The restriction of the number of priests who may officiate in churches is not new in Mexico. The State of Vera Cruz began the movement last Summer, when the number of priests for that State was limited to thirteen, or one for approximately every 100,000 inhabitants. Later the State of Chiapas, with a population of 350,000, restricted the number of its priests to nine, and the State of Yucatán, with a population of 400,000, reduced the number of priests to thirty-two. More recent legislation affecting the clergy passed by Mexican States includes the following: The State of Chihuahua late in November limited its priests to one for each 9,000 inhabitants, thereby permitting about forty altogether; the State of Morelos on Dec. 26 imposed a tax of 300 pesos ($150 at par) on each clergyman, regardless of his religion. Dispatches of Dec. 26 stated that restrictive measures against clergymen had been passed by the States of Tamaulipas and Tabasco. Unofficially it was reported in Mexico City on Jan. 2 that a new law which would become effective in Chihuahua on Jan. 27 limits the number of priests in that State to one for every 20,000 inhabitants. Catholics of Mexico City were reported to have attended on Sunday, Jan. 3, services at near-by churches just outside the Federal District, where the number of clergy has not been restricted. In some churches in Mexico City on Jan. 3 laymen read the mass, while in others the worshipers prayed in silence. The two Anglo-American Protestant churches were closed because the ministers had not been able to register as required by law. A few Mexican Protestant ministers who had been able to receive permits to officiate conducted services in their churches.

The only bright spot on the horizon for the Catholics in Mexico during December was the reopening for public worship on Dec. 10 of all Catholic churches in the city of Córdoba, State

of Vera Cruz, after they had been closed for five months, and the temporary reopening of the churches in Mexico City in connection with the celebration at Guadalupe.

ECONOMIC CONDITIONS IN MEXICO

To relieve the situation resulting from the hoarding of silver, which has been carried on since Mexico abandoned the gold standard last Summer, the Banco de Mexico issued 2,000,000 pesos (about $760,000 at present exchange rates) of bank bills in denominations of five and ten pesos on Dec. 5. The bills, which are of voluntary acceptance, are backed by 50 per cent cash and also by commercial paper, and are acceptable for payment of taxes and all government dues. Despite the fact that paper money during the revolutionary period since 1910 has been accepted with ill grace by the Mexican public, confidence in the bank bills was such that they were readily and generally accepted. Cheered by the success of this issue, the Confederation of Mexican Chambers of Commerce on Dec. 11 petitioned the Banco de Mexico to issue an additional 2,000,000 pesos of bank bills.

A plan to pay off Mexico's internal debt, estimated to be 600,000,000 pesos (nearly $300,000,000 at par), by the sale of government-owned lands was submitted to the Chamber of Deputies by Finance Minister Montes de Oca on Dec. 20. Declaring that an uncomfortably large proportion of government-owned property was unproductive, he argued that its sale to private owners might attract capital which would make it productive. The plan, therefore, would have the dual advantage of providing ready cash and of adding to Mexico's profitable activities. With slight variations, the project was approved by the Chamber of Deputies on Dec. 21. As passed, the bill provides that the payment of the debt will be made in bonds redeemable in lands.

A revised budget for 1932 which puts revenues at 213,074,225 pesos (about $106,537,112 at par) and expenditures at 212,987,421 pesos (about $106,493,700 at par), thereby showing a surplus of 87,000 pesos (about $43,000 at par), was submitted to the Chamber of Deputies by Finance Minister Montes de Oca on Dec. 22. The most striking change in the revised budget is the appropriation for the Department of War and Marine, which is fixed at 55,000,000 pesos; this compares with 70,000,000 for 1931 and 113,000,000 for 1929. The appropriation for the Department of Finance was reduced to 20,000,000 pesos, as compared with 25,000,000 pesos in 1931. Road building was allotted 8,000,000, as compared with 14,000,000 pesos last year.

Mexico's national road-building program will be promoted vigorously in 1932 despite necessary retrenchments in governmental expenditures. The completion of the Mexico City-Laredo highway is the principal project in hand, and no expense will be spared until it is finished, according to an announcement of the Department of Communications on Dec. 14. The second great project is the completion of the tourist highway from Mexico City to the Pacific port of Acapulco.

A new income tax law which primarily taxes capital and lifts some of the burden from the small wage-earner and small business man became effective by Presidential decree on Jan. 3. Under the new law, annual incomes below 10,000 pesos (about $5,000 at par) are exempt from the tax, while incomes and earnings above 100,000 pesos are taxed more highly than formerly. Earnings of 300,000 to 350,000 pesos are taxed 10 per cent, and incomes greater than 500,000 pesos are taxed 12 per cent, the maximum.

It was announced in the Chamber of Deputies on Dec. 10 that the Federal project for the abolition of the Territory of Quintana Roo, by having it absorbed by the States of Yucatán

and Campeche, had been approved by the State Legislatures. The former territory, containing much unexplored jungle land, is inhabited by about 30,000 persons, principally chicle workers.

Mexican repatriates, most of whom were from the United States, totaled 112,407 during the first eleven months of 1931. Of this number, 70,000 were reported to have been given free transportation from the border and other aid by the Mexican Government. Most of the repatriates entered Mexico from Laredo and El Paso, Texas.

CUBAN PRESIDENT CHANGES HIS TACTICS

President Machado of Cuba announced on Dec. 22 that he had abandoned the long-debated Constitutional reforms he had promised to the Opposition and that he would remain in the Presidency until the end of his term in 1935. "It was my intention," he said, "to reform the Constitution of the Republic in order to bring about elections in 1932 for the choosing of a new President. However, in view of the support of my friends and particularly the spontaneous enthusiasm of the public during my November trip through the eastern provinces, I have become convinced that it would be cowardice to deliver the Presidency into other hands. And as I am no coward, I shall remain, according to the law and the Constitution, until 1935."

President Machado late in November began a tour of the central and eastern provinces of Cuba for the avowed purpose of "spreading cordiality" and visiting "all army posts" and bidding "farewell to all my [his] comrades in arms, the soldiers of the Republic." On this trip the President twice declared his intention to quit the Presidency soon. Other evidence accumulated during December in support of this purpose, notably the release of ninety-four political prisoners. On Dec. 2, after visiting Santiago, a hotbed of opposition to his régime, President Machado announced that a general amnesty bill that would liberate all political prisoners in Cuban jails would be passed immediately.

Apparently the most conclusive evidence that the President was acting in good faith lay in the fact that the leader of the Opposition, Dr. Cosme de la Torriente, former Ambassador to the United States and President of the League of Nations, arrived in Havana from the United States on Nov. 30, presumably at the invitation of the Administration. But a reaction against a possible compromise between the government and the Opposition soon developed. Prominent Oppositionists in Havana declared that Dr. de la Torriente had separated himself from the Opposition Junta. Nothing, they stated, would be accepted by the Cuban people except the immediate re-establishment of public rights, the liberation of prisoners of war, including all political prisoners, and the establishment of a provisional government until new elections might be held. What may be regarded as the answer of the government to the demand of the Opposition was the declaration by Dr. Rafael Guas Inclan, Speaker of the House of Representatives, on Dec. 9, that political prisoners in Cuban jails would not be liberated until President Machado was absolutely convinced that no further anti-administration activities would be undertaken.

NEW GOVERNMENT IN EL SALVADOR

General Maximiliano Martínez was named President of El Salvador on Dec. 4 by the military junta which had overthrown the government of Arturo Araujo the day before. Diplomatic recognition has not been granted the new régime by Guatemala, Honduras and Costa Rica, or by the United States, because the Martinez Government came into power through a *coup d'état,* not through a Constitutional reorganization of the country. In 1923 the Central American republics agreed by a general treaty of peace and amity to refuse recognition

to a government established in an illegal manner. The policy of the United States has been guided by the principles of this same treaty.

COSTA RICAN TAXES

A new law in the history of Costa Rica, providing for the collections of income taxes and for the issuing of certificates of identity for use in courts, public offices and elections, was approved by President González Víquez early in December. Under the law an income tax must be paid on all income or cash receipts amounting to 10,000 colones ($2,500). The proceeds from both the certificates and the income tax will be assigned first to the cancellation of the loan of $750,000 from the National City Bank of New York.

PANAMAN AFFAIRS

President Ricardo Alfaro of Panama on Dec. 16 signed a decree which permits only natives of Panama to hold title to lands lying in the twenty-mile-wide disputed territory on the Panama-Costa Rica frontier.

To meet the acute unemployment situation, protect home industries, and increase the revenues of the government, the highest duties in the history of Panama were decreed by President Alfaro on Dec. 26. The new rates are expected to affect imports from the United States, particularly shoes and wearing apparel.

Investors' Losses in South America

By HENRY GRATTAN DOYLE

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MUCH attention has recently been devoted to loans by bankers in the United States to Latin American countries. Under a resolution introduced by Senator Johnson of California, the Finance Committee of the United States Senate was instructed soon after the opening of the present session of Congress to investigate the floating of loans to Latin American governments, States and municipalities. The investigation seems to have been directed largely toward establishing the extent of not only the losses to American investors through defaults or moratoria on interest and sinking-fund requirements of such issues, but also the profits made by banks and banking houses from such flotations and the possible responsibility of the State Department because of tacit approval of these loans. The committee has heard the testimony of such financial leaders as Thomas W. Lamont of J. P. Morgan & Co., Otto H. Kahn of Kuhn, Loeb & Co., and Charles E. Mitchell of the National City Bank. On behalf of the government the committee had heard up to the time of writing Grosvenor M. Jones, chief of the finance and investment division of the Bureau of Foreign and Domestic Commerce, an authority in the field of governmental finance, and James C. Corliss, specialist on Latin American finance in the division.

The Finance Committee of the Senate indicated on Jan. 1 that defaults or moratoria have been declared on more than $800,000,000 of South American bonds. It has been the custom since the beginning of the Harding Administration to submit proposed foreign bond issues to the State, Treasury and Commerce Departments for study—a practice to which Senator Glass of Virginia objected two

years ago, with the result that the Senate adopted a resolution at the time calling for its cessation, and one which the Senator denounced again in the recent meetings of the Finance Committee. It develops that the action of the State Department has been either to disapprove a projected issue of bonds or simply to fail to disapprove it. The State Department now holds that absence of objection to a proposed loan cannot be considered approval of it, and stated that "no foreign loan ever has been made which purported to have the approval of the American Government as to the intrinsic value of the loan." Mr. Corliss testified that certain South American countries had over-borrowed in 1928 and 1929, and that adverse reports by his division had preceded loans by American bankers to Bolivia and Colombia during those years.

The following factors must be borne in mind constantly in any consideration of these bond issues and related fiscal questions in South America. In contrast with European loans and war debts, South American loans have been made not by the American Government, but by American bankers, and the bonds have been passed on to individual investors, who in the event of depreciation or total loss must suffer the consequences. It is for this loss that Senator Glass holds the State Department "morally responsible." Furthermore, while defaults have no doubt been due in some measure, as previously pointed out here, to failure to keep borrowings within the capacity of the country concerned to pay interest and amortization charges without unduly burdening its resources, and while in some instances charges of graft in connection with the placing of the loans have been made, the most general cause of the fiscal difficulties of South American countries has undoubtedly been the world-wide economic situation. Decline of world prices for such commodities as coffee, cotton, copper, cocoa, nitrates, tin and sugar has had a direct effect upon the income of the South American countries, whose revenues are largely derived from import and export duties, royalties on production of natural resources, and income from government monopolies in certain commodities. Taxes on real and personal property have never been so effective in the Latin as in the Anglo-Saxon countries, and income taxes have been anathema to most Latin Americans. As for the loans, it must not be forgotten that in some instances American loans have not represented additional borrowing by South American governments, but merely the refinancing of earlier loans made in Europe, and that they have been part of a general program of post-war economic expansion of United States interests in South America. It may be helpful to recall also that absolute repudiation of these loans has not yet occurred, and that in some cases service charges on the bonds are being deposited by the governments concerned, payments being merely deferred until exchange and other economic conditions are more favorable. A wholesome reminder by Walter Lippmann that certain American States have repudiated their debts is altogether pertinent.

A recent report by the United States Department of Commerce lists as the important economic trends in Latin America for 1931 the imposition of high tariffs in an effort to balance budgets, the dislocation of public finances, and the restriction of the production of basic commodities in an effort to control and improve prices. Included in the report are figures for exports and imports between the United States and South America for the first ten months of 1931, as compared with the same period of 1930:

	1930.	1931.
Exports to S. Am..	$290,279,059	$139,231,760
Imports from S. A.	376,349,450	263,273,854

These figures are illuminating not only as to the decline of our own

trade with South America, now reduced to the 1913 level or thereabouts, but indirectly as to the economic changes that have taken place in the South American countries during 1931, the year in which the defaults and moratoria have occurred.

Another economic factor not previously mentioned is the effort to bolster the financial situation in several South American countries by restrictions on exchange. These have combined with the operation of economic laws to create exchange difficulties and consequently to complicate the payment of interest and service charges on bonds held abroad. Countries in which artificial restriction of exchange has occurred include Argentina, Brazil and Colombia.

SOUTH AMERICAN ECONOMIC CONFERENCES

At a conference of representatives of the central banks of Colombia, Ecuador, Peru, Bolivia and Chile held in Lima, Peru, from Dec. 2 to 12, the Federal Reserve Bank of New York was represented by two "observers," while Professor Edwin W. Kemmerer of Princeton, who as financial consultant and head of financial "missions" to a number of South American countries has played a major rôle in monetary and fiscal readjustments there for many years, was also present as an observer and adviser. It will be noted that the five countries officially represented included all the west coast countries of South America, and that all of them except Colombia have found it necessary to suspend their debt services.

Reports circulated before the conference implied that the countries concerned would seek an extension of the Hoover moratorium to South America—an obviously impracticable suggestion because of the distinction between the government-to-government obligations of Europe and the government-to-individuals obligations of the South American countries—and that an effort would be made to obtain large advances from the Federal Reserve System as a measure of temporary financing. Nothing of the sort took place. One resolution stated that the possibility of obtaining such credits "deserved the attention of the central banks of these and other countries, and of the Bank for International Settlements, for the purpose of furthering the cause of cooperation between central banks and that of international monetary stability, which institutions of this kind should foster." Adherence to the gold standard, "in spite of its well-known defects," is a cardinal point in the resolutions. Another resolution, obviously the outgrowth of Bolivia's use of sterling as the basis of international exchange and its difficulties since Great Britain abandoned the gold standard, declares that "it is inadvisable that the value of the monetary unit of an American republic should be bound up absolutely and indefinitely with that of another country, however great its political and economic importance, although it is understandable in certain cases that a country should base its national exchange on sterling in order not to injure its exports." In this connection the Bolivian Senate has been considering a petition to legislate in favor of a change in the basis of exchange of the Central Bank of Bolivia. The conference decided to hold another session in 1933, to which banks of issue, rediscount and conversion of other Latin American countries should be invited.

On Dec. 15 an economic conference opened in Montevideo, Uruguay, on the invitation of President Gabriel Terra of that country, at which representatives of Brazil and Argentina met with those of Uruguay to discuss matters affecting the meat industry, in which the three countries have a common interest, as well as customs and tariff questions. In convening the conference, President Terra referred to the failure of the Chilean proposal for a Pan-American customs union, attributing its lack of success to the fact

that it embraced too large an extent of territory, a factor that would not be so likely to prevent the attainment of an effective regional customs union. The greatness of the United States, he said, was due to reciprocal free trade among the States, and Argentina, Brazil and Uruguay had much to gain by granting reciprocal customs facilities and by uniting for the protection of products common to all three. In addition to consideration of a tripartite arrangement, the conference also divided into bilateral commissions intended to work out trade treaties between Brazil and Uruguay and between Argentina and Uruguay.

The former deliberations resulted in the draft of a new treaty for submission to the respective governments. It provides for limited free trade on specified articles, reduction of duties on other commodities, and simplification of customs, consular and sanitary regulations. Negotiations were continuing between Argentina and Uruguay on the Uruguayan proposals for unrestricted free trade in live cattle; lifting of Argentine restrictions on Uruguayan building materials, especially stone and sand; removal of restrictions on importation of fresh fish from Uruguay; a new tariff on fruits and vegetables, which Uruguay imports in large quantities from Argentina, and removal of customs red tape in passenger traffic.

After the conference in Montevideo the Brazilian delegates proceeded to Buenos Aires to begin negotiations there for the removal of the Argentine embargo on yerba maté, or Paraguay tea, and to confer on other trade matters. It was reported that Paraguay would like to be represented in any regional customs union, and that it would seek bilateral agreements with Uruguay and Argentina.

Latin American cooperation in international affairs may be furthered by a conference called by Foreign Minister Juan Carlos Blanco of Uruguay in Montevideo for the consideration of disarmament, looking toward the formulation of a South American bloc agreement in anticipation of the Geneva conference. The governments were to be represented by their Ministers or Ambassadors to Uruguay, under instructions of their governments.

FORMER PRESIDENTS FACE CHARGES

On Dec. 19 the Peruvian Congress unanimously adopted a resolution to try former President Leguía on charges of treason to the country by "denationalization of the country's railroads, the contracting of oppressive foreign loans and other acts harmful to the government." It is reported that government officials who collaborated with Leguía will also be examined, and that the ex-President's son, Juan, will be placed on trial on charges of misuse of government funds. The proceedings will probably be public, and will be held as soon as Leguía recovers from the results of a recent operation.

The hearings before the Finance Committee of the United States Senate, previously discussed, brought out on Jan. 8 a piece of information which if corroborated may well prove to be a decisive factor in the Leguía trials. On that day Frederick Strauss of the banking firm of E. and R. Seligman & Co. of New York, informed the Senate committee that his firm had paid Juan Leguía a "commission" of $415,000 for promoting the placing with the Seligmans of a Peruvian loan of $100,000,000 in 1927. The money, he said, was placed in Juan Leguía's checking account with the banking firm.

Plans to try ex-President Hernando Siles of Bolivia on charges of abuse of power began on Dec. 15 with the taking of evidence by the Chamber of Deputies. The former President is living in exile in Chile, for he is not included in the amnesty granted to those imprisoned as the result of the revolution of June, 1930. On Dec. 4, Vice

President José Luis Tejada of Bolivia was cleared of charges brought by supporters of former President Saavedra, whom Tejada defeated for the Vice Presidency in the elections of last year, that while serving as Finance Minister in 1919 he had accepted bribes from the Standard Oil Company and Richmond, Levering & Co.

On Dec. 24 the special commission which has been investigating the dictatorship of former President Carlos Ibáñez of Chile, resigned.

DISORDERS IN SOUTH AMERICA

December was, in a number of the South American countries, a month of disorders and threats of strikes attributed to Communist activities. Chile seemed to be the worst sufferer. Early in the month a mob attempted to break up the sessions of the Chilean Congress in Santiago and then rioted in the streets, wrecking street cars and breaking shop windows. On Christmas Day outbreaks occurred at Copiapo, capital of the province of Atacama, in which eleven persons were killed, and at Vallenar, in the same province. In subsequent fighting at Vallenar, the number of casualties increased to thirty-four. Leaders of the revolt were arrested, and will be given military trials. Raids on Communist headquarters throughout the country followed, and on Jan. 4 a law was passed imposing heavy penalties on subversive activities. A general strike called for Jan. 4 was postponed until Jan. 11 by the Federation of Labor. Government agencies claimed the attempt at a general strike had failed.

Similar scares in Bolivia, Peru and Ecuador have caused some concern. With unemployment so serious, Communist agitators have doubtless found fertile soil for their propaganda. It is to be noted that these difficulties have arisen in countries in which the economic depression is most severe and in which unemployment has in many instances undoubtedly brought workers to the verge of starvation.

Britain Under a Protective Tariff

By J. Bartlet Brebner
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When the British Parliament adjourned on Dec. 11 until Feb. 2, there was a general feeling that the National Government had established a new course for the country. It was too early to detect clearly the results upon the greatest import market in the world of the new tariff, which by the end of December levied duties at the rate of 50 per cent on between one-third and one-half of the imports of manufactured goods and at the rate of 100 per cent on fruits, vegetables and flowers during certain short specified seasons. Mr. Runciman, in declaring the new duties on behalf of the Board of Trade, appended to each item the statistics of imports in October and November which justified protection against abnormal shipments to Great Britain. The new duties had the effect of practically complete stoppage.

Considerable pressure on the government from inside Parliament as well as from without for duties on iron and steel products was successfully resisted on the ground that many of these products were equivalent to raw materials for exporting industries. The textile industry also en-

tered a plea for protection. In the field of agriculture the government avoided specific promises. The question of quotas and prices for domestic wheat was complicated enough, but since preference to the Dominions in wheat and flour will enter largely into the bargaining at the imperial economic conference, the situation could not be simply resolved. Mr. Thomas made it clear that world prices must be the chief determinant in any scheme and that the Dominions must bargain on a *quid pro quo* basis.

The government and the Bank of England seemed committed to a process of "defensive deflation" inside the protective walls raised by the tariff and the depreciated pound. Gold poured into the country from South Africa and India and passed out again to France, Holland and Switzerland, taking with it some of the national gold reserve. The large financial processes behind this movement were obscure, particularly in relation to India. Indians were obviously tempted to export hoarded gold in order to profit by the 30 per cent depreciation in paying sterling indebtedness, but there was a substantial desire in India (as in South Africa) both to keep the currency on gold and to protect the country's reserves. From the British point of view this movement represented an inevitable deflation of former security gold values as Indian debts were paid, but it also might assist in dollar purchases and thus support sterling exchange. No statistics were available as to the proportions of public and private gold exports from India, although the Indian regulations of September had put them under public control.

The Bank's gold reserve as of Jan. 1, 1932, was announced as a little over $600,000,000, with the coverage ratio 30.66 per cent. The interest rate remained at 6 per cent and the note issue continued to be restricted within the legal £275,000,000. For this and other reasons wholesale prices rose surprisingly little and were still below those of 1930. They went up 5¼ per cent in October and only 2 per cent in November.

This situation apparently encouraged some attempts at wage reduction. The Cotton Spinners Federation on Dec. 15 renewed its attempts to increase hours and reduce wages. The operatives refused to treat and no progress was made toward settlement, but strikes were avoided. The passing of Japanese currency from the gold standard on Dec. 14 destroyed (for India, if not for China) the advantage which British goods had temporarily enjoyed and added weight to a proposal for the complete reorganization of the British cotton industry which would involve the shutting down of 10,000,000 spindles and 100,000 looms. On Dec. 8 the dockers' section of the Transport and General Workers Union accepted a cut of 10d (20 cents at par) a day, but the corresponding water men (on lighters, tugs and barges) refused the reduction and began a strike on Jan. 4.

Work was discontinued on "No. 534," the 73,000-ton vessel with which the Cunard Company hoped to regain the "blue ribbon" of the Atlantic. This involved the laying off of 3,000 workmen directly, with repercussions in related trades and industries which extended even to dredging operations in the Clyde and dock-building at Southampton. The Cabinet was consulted and, using the company's own admission that in 1931 it would not earn depreciation on its old ships, refused help on the ground that the new ship would not earn its own interest and depreciation charges. The company said that it would go ahead with construction if it could borrow the necessary $25,000,000 at the 3½ per cent rate which it had anticipated.

Much more heartening was the continued decline in unemployment to figures which justified talk of the Insurance Fund paying its way again. The fall from Sept. 28 to Dec. 21 was approximately 320,000, in spite of a

rise of 12,000 between Nov. 23 and Dec. 7, and the 2,506,719 unemployed of Dec. 21 involved a decline of almost 66,000 in the preceding week. Particularly encouraging was the reversal from November in a substantial decrease of the wholly unemployed. Iron and steel production continued to expand, as did the "light-heavy" industries related to them.

The best evidence of national cooperation with the government's efforts was the demonstrative rush to pay income tax in the first week of January. Under Snowden's new scheme citizens were asked to pay the amount for nine instead of six months in the first instalment, and their response surprised the collectors. Sterling recovered 20 cents from its low of Dec. 7 and fluctuated rather widely around $3.40.

On Dec. 10, simultaneously with the passing of the Statute of Westminster, the text of which was printed in January CURRENT HISTORY, there was signed on behalf of Great Britain and each of the Dominions the British Commonwealth merchant shipping agreement, which incorporated the recommendations of the Imperial Conference of 1930. It provided for a voluntary uniformity on all important points so far as merchant shipping legislation was concerned.

IRISH SOVEREIGNTY

The passing of the Statute of Westminster proved to be the occasion for a varying Irish response. The Free State Parliament now enjoys full sovereignty. To Mr. Cosgrave and Mr. Patrick McGilligan on behalf of the government that meant power to abolish the right of judicial appeal to the Privy Council, but they were rendered cautious when Eamon de Valera, leader of the Opposition, interpreted it to mean power to abolish the oath of allegiance, denounce the Anglo-Irish treaty of 1921, amend the present Constitution and repudiate the continued payment of the land annuities to Great Britain.

The public safety act was brought to bear more heavily in December. George Gilmore was condemned to five and his brother Charles to three years' imprisonment for their possession of a large munition dump in the Dublin Mountains and their relation to the illegal Irish Republican Army. Joseph Kennedy and Michael Moran received sentences of seven years' imprisonment for possession of arms and for an attack on an elderly farmer with intent to rob.

CANADIAN PROBLEMS

Undoubtedly the matter of greatest public concern in Canada during December was the disparity between Canadian and United States dollars. When New York banks would give only 80 cents for a Canadian dollar, an intending Canadian visitor to New York had to pay $1.25 Canadian for the dollars he needed. The year end aggravated the situation, for much public indebtedness, both capital and interest, fell due in January. The rate rose to between 84 and 85 cents after the beginning of the year.

The processes to correct the situation continued. Washington reported that Canada was ceasing to be the best customer of the United States, although the reverse continued to be true. In the first nine months of 1931 imports from the United States fell by 39 per cent and exports to the United States by 34 per cent. Provinces and municipalities began to move in the same direction as the Dominion Government in order to minimize borrowing abroad. On Jan. 5 New Brunswick offered to the internal market a bond issue of $5,062,000 at a price to yield about 5¾ per cent, and on the same day John Bracken, Premier of Manitoba, announced that the Dominion Government would assist the Province in meeting its maturing obligation of $2,000,000 due on Jan. 15 in New York. In addition, the government and the bankers combined to throw off dependence on New York for

financial and business services. The volume of Canadian international trade appeared to justify the establishment of a domestic system to handle bills and acceptances and carrying charges.

The favorable balance of trade which began in midsummer continued to grow at such a rate that for the calendar year 1931 the total exchange was adverse by only $7,500,000 as against $103,000,000 for 1930. It seemed certain that for the fiscal year (April to March) it would be favorable by a large margin.

The forthcoming imperial economic conference at Ottawa almost entirely dominated the political scene during Parliamentary recess. The 1922 trade treaty with France had been stripped of its advantages by French tariffs and Canada denounced it as from June 16, 1932, while some 15 or 20 other treaties seemed likely to go by the board as well. A temporary trade agreement with Brazil was under negotiation as was a treaty with South Africa, and H. H. Stevens left for Honolulu to meet W. D. Stewart of New Zealand in order to settle the differences which have so seriously interrupted the trade between the two countries. Canada was preparing to take an active part in negotiating for intra-imperial economic organization.

On the whole it was fortunate that recent elections in Canada, Great Britain, New Zealand and Australia had given governments there unmistakable popular mandates, and also that Mr. MacDonald and Mr. Thomas were members of the British Cabinet. They pierced Mr. Bennett's rhetoric at the imperial conference of 1930, they had conversations with him after the British election, and Mr. Bennett and Mr. Thomas have recently exchanged across the Atlantic comments which promise that the conference will be an unsentimental bargaining match.

NEWFOUNDLAND FINANCES

Having failed during the Spring to secure an $8,000,000 loan, the Government of Newfoundland called upon two British experts to put its financial house in order. On Dec. 2 it was announced that one of them, J. H. Penson of the British Treasury, had been appointed Controller of the Treasury. Like a judge, he was to be removable from office only by joint address to the Governor from both houses of the Legislature and his approval was to be the necessary condition for all departmental expenditures. This device got rid of the old curse of electoral promises of expenditure. Then Newfoundland tried again for the loan, and on Dec. 14 Sir William Coaker stated that she had offered to sell Labrador outright to Canada for $100,000,000.

On Dec. 27 it was rumored in New York that Newfoundland would default on her Jan. 1 payments, but actually the Executive Council was wrestling with an offer of salvation (at a price) from four Canadian banks (Montreal, Royal, Commerce, Nova Scotia). Their terms were accepted on Dec. 30. They lent $2,200,000 at 5½ per cent for six months in return for an embargo on gold export, acceptance of their notes as legal tender, the retention of Mr. Penson or of a similar British appointee, control of the customs revenue and the floating of a domestic loan to meet this year's deficit. In return they bound themselves to accept a bond issue covering the advances they had made to the government during 1931.

NEW AUSTRALIAN CABINET

The agitated career of Mr. Scullin as Prime Minister of Australia was brought to an end as a result of the general election on Dec. 19, when the Labor party was overwhelmingly defeated by the Opposition under the leadership of J. A. Lyons, who thereupon became Prime Minister. Mr. Lyons succeeded Mr. Theodore when the latter retired under a cloud in 1930 and Mr. Scullin went to the imperial conference, only to lose the post to Mr. Theodore on Mr. Scullin's return early in 1931. Mr. Lyons's

chief commendation to the voters was that, while the leaders of the Labor party spent their energies in factional differences and bewildered the country with fantastic economic proposals, he had stuck to conservative financial retrenchment and had been chief agent in the conversion loan which saved Australia from default on her indebtedness.

Mr. Lyons, leaving the Federal Labor party to go into opposition along with J. E. Fenton, who was Acting Prime Minister during Mr. Scullin's absence at the imperial conference, was largely the creator of the United Australia party and it was this party, working with other Opposition elements, that brought about the Parliamentary defeat of Mr. Scullin, though an important factor in the result was the fortuitous alliance between the Opposition parties and the extremist (Lang) group of Laborites. The election, in fact, was largely a three-cornered affair, with the Labor party defending itself against the United Australia party (the old Nationalist and dissident Laborites) allied with the Country party and against the Labor extremists.

The election resulted in the following distribution of seats: United Australia party, 39; Country party, 16, and Independents, 2; Labor, 14, and Labor Extremists, 4; a majority of 37 for the Lyons group, or a majority of 5 for the United Australia party over all. In the last Parliament the figures were: United Australia party, 23; Country party, 11; Independents, 1; Labor, 35; Labor Extremists, 5. Half the Senate seats (18) were also contested, resulting in the Lyons group holding 27 seats to 7 Labor and 2 Extremists. These majorities committed Australia to conservatism in financial affairs. Mr. Lyons replied to Mr. Scullin's charges as to his tariff policy that henceforth the changes would be made only on the recommendations of an appointed tariff board. The Cabinet was announced on Jan. 1. It consisted of nine departmental heads and four honorary ministers. Its chief members were Mr. Lyons (Prime Minister and Treasurer), J. G. Latham (former Nationalist, Attorney General and Deputy Prime Minister), H. S. Gullett (Minister of Trade and Customs), J. E. Fenton as Postmaster General and Stanley M. Bruce (former Prime Minister) as Honorary Minister to assist Mr. Lyons at the Treasury.

On Nov. 20 victory seemed to pass to Mr. Lang, Premier of New South Wales, in his long-drawn-out constitutional struggle with Sir Philip Game, the Governor. The Governor (who had refused last March to do so) agreed to appoint twenty-five new members to the Legislative Council (the upper house of the State Legislature), thereby overcoming a majority which had resisted Mr. Lang. The High Court had already checked Mr. Lang's attempts to use his majority in the lower house to abolish the Council. The Governor's action provoked much surprise, and he felt it necessary to state publicly that he had acted without consultation of the Dominions Office in London.

NEW ZEALAND'S DIFFICULTIES

The path to a balanced budget in New Zealand has proved to be very difficult in spite of a favorable balance of trade. W. D. Stewart, Minister of Finance, was sure that revenues would not meet expenditures in 1931 and that 1932 would be worse, thus necessitating still further public economies. The double decline in prices and in purchasing power has placed a heavy burden on a country which produces raw materials and is willing to import its manufactured goods. The government could not count on a long-term loan in London at a reasonable rate of interest. Prime Minister Forbes planned with the assistance of the banks to create a pool for all exchange credits and thereby mobilize credits in London for governmental purposes.

India's Fate in the Balance

By H. B. LEES-SMITH

[Mr. Lees-Smith was a member of the last British Labor Cabinet and one of the British Government's delegates at the recent India Round Table Conference. Apart from his political activities he has been for many years professor of Public Administration in the London School of Economics and Political Science, University of London.]

MR. GANDHI arrived in Bombay on Dec. 28 on his return from London. A week later he was arrested at the outset of a new civil disobedience campaign which he had been predicting would once more plunge the people of India into "the fires of suffering." Mr. Vallabhai Patel, President of the All-India Nationalist Congress and former President of the Indian Legislative Assembly, was also arrested, and was lodged with Mr. Gandhi in Yerovda jail, near Poona.

This dramatic result of the long series of negotiations which took place before and during the conference in London cannot be fully understood without going back to the close of the conference and the events which subsequently occurred.

Although the India Round Table Conference failed to achieve the full purpose for which it was called, opinion in England in the light of later developments is by no means inclined to regard it as completely unsuccessful. The view now expressed is that it was far too optimistic to expect that a constitution for India could be worked out in a conference which held two sessions of a few weeks each, and that the conference has justified itself by making this clear and at the same time by leaving the way open for a series of further conferences, which will be needed to complete so complicated a task. The Prime Minister, Mr. Ramsay MacDonald, at the end of the conference was careful to state that it was not closed but "adjourned," and that a working committee of the conference would be appointed to prepare for its further meetings.

The task of the working committee will presumably be to discuss the great fundamental issues which these further conferences will have to decide, such as the measures to secure the proper maintenance of the British Army, the control of finance and the other safeguards that the British Government has always insisted must accompany any grant of responsible government.

Meanwhile, there were three minor questions which had been discussed in the conference and on which Mr. MacDonald proposed to appoint committees immediately. These three questions were the franchise for future voters in India, the relations between federal and provincial finance and the financial problem arising in connection with the territories of the different Indian princes. These three committees were appointed just before Christmas, and the names of the chairmen and the British members of each were announced. The chairmen are to be the Marquis of Lothian, Under Secretary of State in India; Lord Eustice Percy, formerly President of the Board of Education, and Mr. J. C. C. Davidson, Chancellor of the Duchy of Lancaster. No complaint can be made that there has been any delay in the appointment of these three committees, but the crux of the situation is the working committee, which was to discuss the basic problems that are still unsettled and which may well in reality become the

conference in miniature. The time when this committee was to be appointed, who were to be its members, when it was to meet and what it was to do—all these questions were left uncertain in the Prime Minister's statement; yet everybody recognized that these were the vital questions which would decide whether the future constitution of India would be worked out by the method of conference with the representatives of India or by the method of imposing the will of the British Government.

Mr. Gandhi expressed great dissatisfaction with the vagueness of the Prime Minister's declarations on this central issue, but declared before leaving London that he had not come to any definite conclusion as to whether or not he would revive the campaign of civil disobedience. He described the conference as "a complete failure," but since this failure was largely due to the envenomed disputes among the Indian delegates themselves—particularly among the Moslems and the Hindus—and since the conference had not been brought to an end, it was expected that he would refrain from taking any extreme steps for at any rate some considerable time. He had great difficulties of his own to contend with, for the working committee of the congress contains members who are far more extreme than Mr. Gandhi himself. The views of the more extreme group were expressed in a joint statement issued by Mr. V. J. Patel, former President of the Indian Assembly; Mr. Subhas Chandra Bose, former Mayor of Calcutta, and Mr. Jannadas Mehta, president of the Indian Trade Unions, which said: "We are opposed to Mr. Gandhi lowering the flag of complete independence, and we record our profound disagreement with his offer to cooperate with the government on certain terms." But in spite of these manifestations it was known that Mr. Gandhi had always had to expect them, and it was anticipated that he would postpone any decision on civil disobedience for some time and would carry most of the supporters of the congress with him in this policy.

Why, then, is Mr. Gandhi in jail? The explanation is that, as so often happens in public affairs, a new question has emerged which has pushed the more fundamental issues of the conference into the background. There has for some time been a growing terrorist movement in Bengal, and this the government of India met, before the conference ended, by issuing an ordinance of an exceedingly strong penal character, which gave the government powers to act under what was not far removed from martial law. This terrorist movement is composed mainly of young men and women. Although it has been emphatically repudiated by Mr. Gandhi, he expressed his implacable hostility to the highly penal character of the new ordinance, even while he was in England, and before he returned to India he declared that, quite apart from the issues of the conference, there could be no peace between him and the government of India so long as what he regarded as the objectionable provisions in the ordinance were retained. This issue, therefore, became the factor which precipitated the crisis.

A short time after the ordinance was issued, two young women called upon Mr. Stevens, the District Magistrate of Comilla, for an interview, and one of them shot him dead. This murder strengthened the determination of the government of India to maintain the ordinance in its full strength, while Mr. Gandhi insisted that its penal provisions must be modified or abandoned.

By the time Mr. Gandhi reached India, events had already begun to move rapidly. A "no-rent" campaign had been declared in certain provinces and there had been a clash between British soldiers and the Red Shirt organization in Peshawar, during which the soldiers had fired and killed eight men. Pandit Jawaharlal Nehru, who was taking a leading part in the "no-

rent" campaign, and Abdul Ghaffar Kahn, the leader of the Red Shirts, had been arrested.

After Mr. Gandhi's return, the working committee of the national congress with, it was understood, Mr. Gandhi's sympathy and advice, passed a resolution that "all unjust laws issued under the recent ordinances be civilly disobeyed." Civil disobedience was thus officially put forward once again as the policy of the congress. Mr. Gandhi followed this up with a request for an interview with the Viceroy. The Viceroy, replying on Jan. 1 that he would be glad to see Mr. Gandhi, added that he would not be prepared to discuss with him "the measures which the government of India, with the full approval of His Majesty's government, have found it necessary to adopt * * * for the preservation of the essentials of government." This reply showed clearly that it was the new ordinance on which the irreconcilable clash had occurred. The civil disobedience movement was, therefore, initiated once more and Mr. Gandhi's arrest has taken place.

Meanwhile, the picture would not be complete without reference to another of its aspects—the new attitude of the Moslems. At the Round Table Conference the cleavage between the Moslems and the congress party, as already has been mentioned, became deeper than ever before, and this has shown itself in the Moslems' refusal to support Mr. Gandhi or the congress in their new campaign in India. The attitude of those Moslems who take the strongest views was expressed by Mr. Ghuzvnai, one of their delegates to the Round Table Conference, before he left London: "The new Bengal ordinance to deal with terrorism is a necessity. Terrorism in Bengal is an imminent peril, overshadowing our lives and disturbing the peace of India as a whole. If a campaign of lawlessness is embarked upon, we Moslems accept the challenge. We will never give up the fight. Let Mr. Gandhi realize this important fact. To use the phrase employed by Mr. Gandhi when he left England a few days ago, I urge him and his followers 'to beware.'" In accordance with the policy expressing this spirit, the All-India Moslem League met in New Delhi on Dec. 27 and adopted resolutions opposing the terrorism and the "no-rent" campaign. They went on to declare that their ultimate aim was "responsible government with adequate safeguards for Moslems." The new year, therefore, opened with a renewal of the civil strife which had been suspended for many months, with wholesale arrests and with a series of sweeping measures taken by the government against the congress party.

French Cabinet Perplexities

By OTHON G. GUERLAC

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AS April and the national elections draw nearer, the French political atmosphere has become more highly charged and party strife more bitter. During December the Parliamentary debates were especially stormy; the Laval Ministry suffered several setbacks at the hands of the Socialist and Radical-Socialist coalition, and on the eve of the Christmas adjournment members who had already left for their vacation had to be called back to help the government in a last skirmish with the Opposition.

The various debates dealt almost exclusively with problems created by

the financial and economic crisis—how far should the State go to rescue private enterprises in distress? In each case the solution proposed by the government met with stiff resistance in the House and the Senate, and was passed only after amendment.

The government asked a credit of $12,000,000 to permit the French Line (Compagnie Générale Transatlantique) to continue operations, stating that if no help came the company would be bankrupt by Dec. 31. Ernest Lafont, the Socialist Deputy, who is known for his vitriolic eloquence, accused the company of having falsified its balance in 1930 and having distributed fictitious dividends. M. Germain-Martin, former Minister of the Budget, who was appointed to examine the situation, acknowledged the truth of the accusation but pleaded the patriotic necessity of supporting the mercantile fleet, while the Minister of Mercantile Marine, M. de Chappedelaine, emphasized the fact that out of seven directors responsible for the mismanagement only two remained, the others having been obliged to resign. Finally, after a heated debate which lasted all night, the Chamber granted the requested sum by a vote of 333 to 221, but only after a radical change in the original project had been forced upon the government. The amendment provides that the State shall have a majority on the board of directors of the company as well as a majority of the shares. Likewise, the company must furnish a statement of its receipts and expenditures every quarter and must submit every project costing more than $20,000 to the Ministry of Mercantile Marine.

The proposal by the government that the treasury take over the loss of $100,000,000 which the Bank of France has incurred through depreciation of its large sterling holdings was also hotly debated. Germain-Martin, Georges Bonnet and Jacques Stern, all specialists in finance, complained that the convention did not stipulate any limit to the State's responsibility for exchange losses by the bank. It was suggested that the present deficit might be exceeded if the pound fell lower or if, as some papers have intimated, the dollar goes off the gold standard. Moreover, the critics of the measure wanted to know what was represented in the bank's balance by a mysterious item of $100,000,000 under the heading of "sundries."

Both P. E. Flandin, the Minister of Finance, and Premier Laval defended the proposal on the ground that the Bank of France could not be left exposed at such a critical time. To delay action would be to encourage what the Premier called the campaign against French credit. The critics, however, were not deterred by the fear of further damaging the credit of this institution, whose shares have actually dropped quite sharply, and they insisted that the profits of the bank in the past were amply sufficient to cover those present losses which were apparently to be placed on the backs of the taxpayers. When the measure finally passed both houses, it was so amended that the bank will have to pay an initial instalment of $10,000,000 instead of $8,000,000, as first provided. The scheme calls for a payment by the State in treasury bonds equal to the loss incurred by the drop in sterling. Repayment will be made partly by a government annuity, partly by the bank itself. It was over this settlement that the Socialists launched the eleventh-hour attack which forced M. Laval to call back his supporters just before the Christmas recess.

The interpellation on unemployment, which lasted throughout December, came near causing serious trouble for the government. A Socialist motion calling for increased unemployment allowances, diminution of the working day to seven hours, and a scheme of unemployment insurance was nearly passed on Dec. 18. M. Laval, however, came to the rescue and spoke in a thrilling and noisy de-

bate against both Léon Blum and Edouard Herriot, and the motion failed by 316 to 257. In consequence, for almost the first time the Socialists taunted the Premier with having shifted his political allegiance away from the working class, which launched him on his career. The Premier was content to say that his voters had always remained faithful to him since 1914 in spite of his so-called apostasy; apparently the workers are less shocked by what Léon Blum called his "palinode" than are his former Socialist associates.

Another issue which aroused party passions was the election bill sponsored by M. Mandel, former lieutenant of Clemenceau. This proposed to suppress further balloting once a candidate has obtained 40 per cent of the votes. At present a clear majority is necessary, and when it has not been obtained a second ballot is taken two weeks later. The new bill would prevent allied parties, like the Radicals and Socialists, from withdrawing one of their candidates to mass their strength against a Conservative candidate, and was so violently opposed by the Left Cartel that no definite action was taken.

Before the Parliament adjourned for the Christmas recess, political amnesty was declared by both houses, and the Senate passed the national equipment bill and other measures relating to unemployment. It likewise ratified the bill accepted by the Chamber on Dec. 18 authorizing the construction of the 1932 quota of war vessels: four second-class cruisers, one destroyer, one torpedo boat, one charting vessel and one river gunboat.

LAVAL'S FOREIGN POLICY

Speaking on Dec. 20 at a banquet to the Minister of Aviation, Dumesnil, Premier Laval restated the French position on international problems with an accent that reminded some of his critics of the speeches of Poincaré. Settlements with Germany, he said, should be made easier only for a limited period—namely, the period of depression; the unconditional annuity would have to be discussed in accordance with the Young Plan provisions. Reparations could not be sacrificed to private debts. These statements, coupled with those made in the American Congress on the Hoover moratorium, which provoked in France comments that were far from friendly, seem to indicate that the responsible leaders of government have not advanced toward a new conception of the problem of reparations and inter-allied debts. It was therefore all the more startling to find an influential paper, the *Dépêche de Toulouse,* which largely controls public opinion in the southwest, advocating on Jan. 3 the wiping out of all reparations and the initiation of a new policy with Germany. As long as this unpopular doctrine was defended by a free lance like Gustave Hervé in a paper of small circulation, the Paris press and the American correspondents seemed to ignore it. But the *Dépêche de Toulouse* represents the Radical-Socialist party. Hence *Le Temps* and *Le Journal des Débats* immediately took issue with what they consider a very dangerous doctrine.

FRANCE'S ALIEN POPULATION

The census taken early in 1931 and made public in December reveals the increasing percentage of foreigners in the French population. Of the 41,834,923 persons in the country 2,890,923 are not natives. This is an increase of 400,000 foreigners since 1926 out of the entire population growth of 1,091,000. Paris has the largest foreign population. In the department of the Seine there are 4,983,000 persons, of whom 459,000 are not native-born. Of these between 20,000 and 30,000 are Americans. The industrial north is also a great foreign centre, with many Belgians and Poles. It is on the Riviera, however, that one finds the greatest proportion of non-French to French inhabitants. In the Alpes-Maritimes department there are 140,-

000 foreigners out of a population of 493,000—more than 25 per cent.

The economic aspect of this foreign infiltration was brought out in the Chamber of Deputies on Dec. 15, when Adolphe Landry, Minister of Labor, admitted that France's working population had increased by 1,250,000 since the war. There are 1,266,000 foreign workers receiving pay, while the number of paid French workers has decreased by more than 1,000,000. As most of these foreign laborers were brought to France to help in the restoration of the devastated areas and have become French citizens, it is out of the question, the Minister said, to expel them. What is urged is stricter limitation on the entry of new laborers. Even the present regulations fixing the figure at 365 for this year are thought inadequate.

CONTINUED ECONOMIC STRINGENCY

All signs point to an accentuation of the economic stringency. Public revenue in November was about $4,500,000 below the figure for November, 1930. For eight months of the fiscal year 1931-32 the decline was over $36,000,000. Collections, however, were some $10,000,000 over estimates. Exports continue to decline. The eleven months' import surplus was $103,800,000 above 1930 and $137,200,000 above 1929. The gold reserve of the Bank of France reported on Dec. 24 was the highest in its history. The note circulation reported on Nov. 5 at 83,638,617,000 francs was likewise the highest ever recorded.

Deputy Lamoureux, outlining the budget for 1932, stated that it had been balanced only by exceptional methods and that the budget of 1933 would show a deficit of 6,000,000,000 francs (about $240,000,000) unless new measures were adopted. Hence, when M. Herriot wrote on the outlook for France late in December, he was frankly pessimistic. "France is in a very difficult position," he said, "with 3,000,000 partially or totally unemployed workers, an uncertain budget and an adverse balance of trade. * * * Internally and externally the situation of France is bad."

DEATH OF THE MINISTER OF WAR

André Maginot, Minister of War, died on Jan. 7 at the age of 54. He had been Minister of Colonies in the Ribot Cabinet in 1917, Minister of Pensions with Briand, and Minister of War with Poincaré in 1924 and 1928. Early in 1931 he was appointed to the same post by Premier Laval. His name became internationally known in connection with the military occupation of the Ruhr, and he was always an advocate of a strong and ever ready French Army.

Gustave Le Bon died on Dec. 14 at the age of 91. Although not engaged in active politics nor a member of the academic world nor official learned societies, he exercised a strong influence on political thinkers everywhere through his writings on science and sociology.

FRANCO-BELGIAN COOPERATION

Interpellations upon the world crisis were ended in the Belgian Chamber on Dec. 10 when a vote of confidence in the government was successful by a narrow margin. The interpellation on Belgium's economic policy, however, which ended with a motion calling for the broadening of markets by agreement with France and Holland, passed by a majority of two after being accepted by the Cabinet. That the house, which is predominantly Walloon, should call for more intimate cooperation with France is probably due to the fact that Minister of Foreign Affairs Hymans had unsuccessfully attempted to obtain reductions in the British tariffs on certain Belgian exports.

Shortly afterward the Belgian Committee for Franco-Belgian Understanding met in Brussels, presided over by Charles Magnette, president of the Belgian Senate, and passed a motion calling for a "consultation be-

tween personalities of both countries to facilitate the rapprochement."

Speaking in the Chamber on Dec. 23, Premier Renkin stated that his country would not abandon the gold standard and that Belgium would retaliate against countries which closed their markets by prohibitive tariffs on Belgian products. Even the Socialists supported the government in this stand.

On Jan. 3 the Belgian Government gave the Fairey Aviation Company of England the biggest single order ever placed by a foreign government with the British aircraft industry. More than sixty high-speed, high-flying military machines have been ordered, capable of soaring to great heights in a few minutes and designed to operate mainly at between 20,000 and 30,000 feet.

Germany Demands Equal Rights

By SIDNEY B. FAY

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SPEAKING to Germany and the world on New Year's Eve in his first radio address, President von Hindenburg recalled the great sacrifices which the German people made during the year, and added:

> The magnitude of the sacrifices gives us the right to insist that other nations do not impose on us requirements impossible of fulfillment, and thus stand in the way of our recovery. The question of disarmament also is one in which Germany must not be denied her rights. Our claim to a security equal to that of others is so justified that it cannot be denied.
>
> My thoughts go back to Tannenberg. Our situation was difficult then—as it is today. * * * I am calling again today, in an hour equally critical, upon the German people to stand together in unity, no matter what destiny may have in store. Let us face the coming days and their trials hand-in-hand. Let us not waver. None of us must give up hope. Each and every one has unshakeable faith in Germany's destiny. The Lord has saved Germany from deep distress before. He will not forsake us now.

President von Hindenburg's words met with strong condemnation from the nationalist wing of the Paris press as indicating "German desire to get rid of the essential provisions of the Versailles Treaty with respect both to reparations and to armaments." *Le Temps* declared: "Either the Berlin Government must reduce its claims, or it must assume the responsibility for repercussions which may be serious for the whole world." The *Journal des Débats*, in an even more alarmed manner, said: "These words of President von Hindenburg, against which the French Foreign Office will raise no protest, contain everything that is necessary to produce disorder in the world and create out of the conference at Geneva the disturbance of all Europe."

It is currently reported that President von Hindenburg, whose seven-year term as President runs out this Summer, will consent, as a matter of duty during Germany's crisis, to run as a candidate for re-election—in spite of his eighty-four years. There may be no elections this Spring, however, for the Bruening Government is apparently unwilling to subject the country to the internal reactions which would follow a national vote under the present conditions, and has proposed the prolongation of von Hindenburg's term beyond May 5, 1932, through parliamentary amendment to the Constitution. To gain this

end, Chancellor Bruening conferred at length with his opponent, Adolf Hitler, in Berlin, on Jan. 7. The Nazi leader's reaction was not favorable, it was reported on Jan. 11.

Owing to the political truce enforced by the Bruening Government during the Christmas holidays, there was a relative lull in party politics. Adolf Hitler contented himself with a New Year's message in which he exhorted his followers to fight bolshevism to the utmost, to follow only legal methods, and to continue to accept his own dictation: "On to victory, like knights without fear or blame, we shall charge through hell, death and damnation. * * * If our movement were wiped out today, Germany would be Bolshevist tomorrow."

The Basle report of the Young Plan Advisory Committee, made public before Christmas and published on pages 701-709 of this magazine, gives a very thorough and yet clear and simple review of Germany's financial and economic difficulties during the past half dozen years. It should be read carefully by any one who wishes to get an adequate view of Germany's present situation. It is much more detailed and up-to-date than the Wiggin report of last August, and indicates, on the basis of a recent German financial census, that the outstanding German short-term credits at the end of July, 1931, were about $3,000,000,000, instead of $2,000,000,000, as estimated in the Wiggin report. The new Basle report indicates that it is doubtful whether Germany can continue in the future the high level of exports of recent months. It declares that Germany will be justified in declaring—in accordance with her rights under the Young Plan—that she is unable to transfer the postponable reparation annuities at the expiration of the Hoover moratorium next July. It even estimates that the German railway profits of the present annuity year will be only 178,000,000 marks ($41,-000,000). This is considerably less than one-third of the non-postponable part of reparations; yet it is from the railway profits that the non-postponable payments are supposed to be made. Finally, the new report praises the efforts of the Bruening Government in its measures to reduce expenditures, increase revenues and meet foreign obligations, and characterizes the Chancellor's sweeping emergency decree of Dec. 8 as "without parallel in modern legislation."

It is reported that Sir Walter Layton, the British member of the Basle committee, and certain others on it, wanted to bring in a more radical report, annulling the Young Plan and clearing up once and for all the question of German reparations. Sir Walter Layton's secret draft report, rejected through French influence as going beyond the terms of the committee's appointment, is said to have the backing of many London bankers, including Montagu Norman, governor of the Bank of England.

The Prussian Government issued a drastic decree on Dec. 22 to cut down expenses further and so reduce the estimated deficit of $100,000,000 in the Prussian budget for 1932. Sixty district courts of justice and eight institutes of research in chemistry and physics were abolished. The Schiller Theatre in Berlin will be closed after the present season, as will also nine of the fifteen teaching seminaries. The State operas in Wiesbaden and Cassel, and the academies of fine arts in Breslau, Cassel and Koenigsberg will be discontinued. The expenditures of all Prussian universities are to be reduced sharply, and many professors, teachers and other State officials are to be dismissed or pensioned. Despite these economies, there remains in the budget a deficit of about $40,000,000, and thus far nobody seems to know how it is to be covered, as the State is compelled to refrain from increases in taxation.

FRANCO-GERMAN ECONOMIC ACCORD

The Franco-German Joint Economic Commission, which was established as

one of the results of Premier Laval's visit to Berlin last Fall, at once appointed sub-committees to explore the field for possible points in which the two countries might work advantageously together. As a first result of their labors, the French Ministry of Agriculture announced on Dec. 28 that it had signed an accord with German producers "to buy nitrates in sufficient tonnages to satisfy the needs of French agriculture and industry." The statement was somewhat vague—possibly to evade French newspaper and political criticism. Purchase of German nitrates might bring criticism upon the French War Office for buying a vital war supply like nitrates from a former arch-enemy, after France had been obtaining nitrates for a century from Chile.

The French official statement said that the purchases from Germany would be supplementary to those from Chile. The latter amount to 209,000 tons, all of which the Chileans sold to the French agriculturalists recently. Since France's total annual needs of nitrates run to between 350,000 and 400,000 tons, presumably the accord with Germany calls for a supply of from 150,000 to 200,000 tons, from which the War Office must now get its reserves.

The German supply will come through the German Chemical Trust, I. G. Farbenindustrie, covering the "nitrate year" of 1932, which is from about Jan. 20 to Sept. 1. The French official statement says the agreement will permit the French agriculturalists to get nitrate at a price 10 francs (about 39 cents) per 220 pounds lower than the current rate. The present price of 105 francs was set at the request of the French nitrogen industry last August, so that the new price will be 95 francs. However, it is understood that Germany's selling price is 83 francs, the difference going to form a virtual subvention to the French nitrate industry.

The coordination of the French and German air lines from Europe to South America is another field which a sub-committee is studying, and in which it is expected that cooperation will soon be arranged.

Russo-German trade negotiations resulted in the signing of an agreement in Berlin on Dec. 23. The terms of the agreement will not be published until it has been ratified by the German and Russian Governments. But it is understood to allay German fears that their long-time credits to Russia will not be paid. It may include an arrangement for Germany to buy Russian grain as a means of Russia's making her payments. As a result of the year's poor grain crop, Germany will be compelled to import grain from somewhere, and the Russo-German trade situation seems to indicate Russia as the obvious place.

AUSTRIAN REVOLUTIONARIES ACQUITTED

Dr. Walter Pfriemer and seven of his followers were acquitted of the charge of treason by a jury at Graz on Dec. 18. The accused men had organized the brief revolution in Styria on Sept. 13 which collapsed completely after a few hours owing to lack of proper preparation and because of its local character. Dr. Pfriemer fled across the frontier. Recently he returned and surrendered himself to the authorities because the Yugoslavs would not allow him to remain in their country. The verdict of acquittal was reached in spite of the public prosecutor's warning that leniency would lead only to new outbreaks by the Austrian Fascists.

In a statement made in Parliament on Dec. 17, Dr. Weidenhoffer, Minister of Finance, practically admitted that the largest Austrian bank, the Creditanstalt, had spent money to influence press reports at the time of its impending collapse last Spring. It had been rumored that $50,000 or more had been handed over by the bank to a lawyer who was to distribute it in such a way "that the outside world should be properly informed about the situation." According to Dr.

'eidenhoffer's statement the sum ɪs $33,000 and it was spent by the ɪstrian Government largely so that ə foreign press would make reports the affairs of the bank as favor- le as possible. He said some of the ɪney was given to an association of all shareholders, but $11,000 was tributed by the Government Press rvice to obtain the publication of :icles abroad. The Socialist Opposi- n in Parliament, as well as the for- ;n press organizations in Vienna, ve demanded, but without success, ɪt the names of the newspapers con- ning the articles be made public.

The Austrian Government notified ɪumber of short-term and medium- 'm creditors on Jan. 5 that it could longer pay amortization charges their loans, but would continue to y interest as hitherto. The sum in- lved, in which the Creditanstalt and ɑerican and English bankers are ɪcerned, is less than $10,000,000, ich is such a small percentage of : total Austrian foreign debt that ɜre is still no question of a general ɪratorium, although from some arters the government has been ʒed to follow the example of Hun- ry in declaring one.

CONDITIONS IN HOLLAND

Holland's population now exceeds 8,000,000, according to the monthly bulletin of the Central Bureau for Statistics. The exact figure is given as 8,006,600 inhabitants, not includ- ing, of course, the colonies, with many times this figure.

Holland is gloomy over the bulb in- dustry. The fall in British and Scandi- navian currencies, the measures taken by the British against imports, the confusion in Germany and the eco- nomic depression in America have seriously affected the profits of the past year, although the export of bulbs amounted to 87,000,000 pounds from August to November, as against 89,000,000 pounds during the same period in 1930.

Dutch shipbuilding has also been hard hit by the general economic weakness. During 1931 more ships were broken up than were built or repaired, and several thousand labor- ers in the shipbuilding industry are unemployed. The prospects for 1932 are regarded as not much better, since virtually no new orders are on hand.

SWISS PRESIDENTIAL ELECTION

Giuseppe Motta was elected Presi- dent of the Swiss Republic on Dec. 17. This will be the fourth time that he has been thus honored, as he served in 1915, 1920 and 1927.

Party Struggle for Power in Spain

By WILLIAM E. LINGELBACH
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SPAIN enters the year 1932 as the newest republic among the na- tions of the world, with a thor- ʒhly up-to-date Constitution, a vly elected President and a con- tutionally organized government. ɪch credit is due the men who car- d through this remarkable trans- formation in the political and eco- nomic life of the nation with so little violence. Of course there are still dangers ahead. Rumor reports lively activity on the part of the Commu- nists in the Barcelona area and the demand on the part of more radical elements among the Socialists for a

ɪweeping social revolution. Serious ıtrikes and labor disturbances have ›ccurred and already Prime Minister Azana is accusing the Socialists and Republicans of the Right Centre of ›ad faith, "using the Castilblanco lead for political ends." How far the ıew government can maintain itself ›etween the radical Left and the re-ıctionary Right remains to be seen.

The new republican Constitutional Government was inaugurated during December. On Dec. 9 the new Consti-.ution, consisting of 9 chapters and .25 articles, was adopted as a whole ›y the Cortes. The following day he Deputies chose Niceto Alcalá Zamora President of the republic. After the administration of the oath ›f office on Dec. 11 the Cortes accom-›anied the President to the royal ›alace, now the official residence of he President of the republic. As the ed Presidential flag of the Execu-ive was unfurled by the side of the ed, yellow and purple flag of the re-›ublic, the guns again boomed the Presidential salute of twenty-one guns ınd the great crowds sang the stirring ıew republican march, "Riesgo."

With the adoption of the Constitu-ion and the election of the President t might be assumed that the work of he Cortes had been completed and hat the time for the election of a new onstitutional Cortes had come. This s not, however, the view of the re-›ublican leaders, possibly because hey sense a reactionary tendency in ›ublic opinion or because, having ex-ended the franchise to women as well .s to men of 23, they are too uncer-ain of the outcome. Moreover, they laim that a large amount of recon-truction remains to be done. To what ›urpose was the revolution and the onstitution-making if the Constitu-ion is not now implemented by sup-›lementary legislation? Upon sub-nitting the names of his new Cabinet o the Cortes, Prime Minister Azana aid: "We have finished the first step. Now we must complete the revolution ›y drafting supplementary laws."

The formal resignation of the Cabinet was handed to the newly elected President at a gala reception of the diplomatic corps on Dec. 12. After conferring with Julian Besteiro, the Speaker of the Cortes, and other leaders, President Zamora asked Azana to form a new Ministry. He accepted the task and on Dec. 17 laid the names before the Cortes for approval. With two exceptions the Ministry remains as before, but these changes give the Cabinet a decidedly more radical complexion. Alejandro Lerroux is replaced at the Foreign Office by Professor Luis de Zuleito (Independent) and the important portfolio of finance is entrusted to Jaime Carner, a close friend and adviser of Colonel Macia. The combination known as the Lerroux-Azana alliance has apparently been abandoned, perhaps to hold the Left wing—the Socialists—in line. Serious anxiety prevails in some quarters over the dangers from the opposition of Lerroux and his powerful party. For the time being, however, he has promised the Ministry his moral support.

This is the more significant because dissatisfaction with the work of the Cortes prevails in many quarters, especially among the clerical groups. During the Presidential reception the Papal Nuncio startled the gathering by publicly reminding President Zamora of his duties to the Church and, according to some, demanding his resignation. On the first day of the new year a pastoral letter signed by two Cardinals, seven Bishops, forty-nine Archbishops and two vicars urged all Catholics to participate actively in civil and political life and to defend the sacred right of the Church to educate children. All who marry without the sanction of the Church will be deprived of the benefits of the Church. The Catholic Action Society *(Acción Católica)* has been organized with the definite purposes of securing constitutional revision and legislative redress against the "radical spirit of laicism."

Meanwhile, economic questions are

again to the fore. The first bill signed by the new President was a measure raising the tariff on fourteen classes of imports, including many items in which Americans are particularly interested. As the Spanish tariff was already the highest in Europe, the new act virtually excludes all products of nations which do not, like the United States, have favored-nation treaties. Several months ago France obtained favored-nation treatment by which she enjoys tariff rates averaging 50 per cent lower than those granted on similar products from the United States. Some thirty other nations have recently been granted favored-nation status in whole or in part. So far the efforts of the American Embassy at Madrid in this direction have been unsuccessful. American exporters are greatly concerned over the effects upon our commerce with Spain, which in 1929 amounted to $118,000,000, $82,000,000 of which was represented by exports to that country.

In accord with the program for economy, the drastic reduction in the army is being paralleled in the navy. Sixteen ships have been dropped, and in 1932 the personnel will be reduced to 6,000. Because of the great strategic importance of Spain's geographic position, there is considerable speculation in naval circles as to the significance of the present program.

THE FASCISTS FIGHT DEPRESSION

Economic questions concerned Italy particularly during December. Unemployment statistics at the end of November revealed the total number of unemployed as 878,000, the greatest number in the history of Fascism. With the trend of seasonal unemployment during the Winter months, the number is likely to reach 1,000,000. To combat the situation, Mussolini on Dec. 12 issued definite orders to Fascism to war on depression. The party is to consider itself in a state of political and moral mobilization. All Fascists are to adopt a mode of life consistent with the conditions, to fight defeatism, profiteering and rumor-mongering, and carry on an intense propaganda to enlighten the nation on the enormous program of public works and relief organizations. Regional Fascist assemblies are ordered to be held under the direction of the secretary general of the party, whose work is to be developed and coordinated in a great meeting of the National Council of Fascist Federal Secretaries in Rome on Feb. 1.

Fortunately, the trade situation has been improving steadily. November exports exceeded imports by over $2,000,000, the adverse trade balance of $232,250,000 for the first eleven months of 1930 being reduced during the corresponding period for 1931 to $80,750,000. This has been accomplished in two ways: first, by drastic reductions of imports, and, second, by a foreign trade policy that has maintained the flow of exports at the previous level. Indeed, if the fall in prices is taken into consideration, Italy has lost practically none of her foreign markets despite the present economic depression. Coupled with the concern for her foreign trade, a royal decree on Dec. 31 announced a subsidy system for Italian merchant vessels which should go far to secure a considerable share of the carrying trade.

Italian foreign affairs were inconspicuous during December. Foreign Minister Grandi's speech before the Senate upon his return from America again stressed the need for peace and Italy's support of disarmament. On the other hand, the Cabinet tacitly endorsed the estimated military expenditures for 1932, which equal those of the present fiscal year. Altogether the items amount to $276,000,000, or about 25 per cent of the total budget of $1,103,000,000.

FASCISM AND THE VATICAN

Relations between the Fascist Government and the Vatican have been friendly since the extremist leaders

of Catholic Action and of the Fascisti have been removed. After Father Enrico Rosa withdrew as head of the Vatican publishing house, the resignation of Deputy Giovanni Giuriati as secretary general of the Fascist party was inevitable and its announcement on Dec. 7 caused no surprise. Achille Starace, also a Deputy, and for almost eight years vice president of the party, was appointed to be his successor. The new secretary general is 42, has a remarkable war record and has been an active member of the Fascist party since its beginning. The transfer of authority was formally made on Dec. 8, Mussolini congratulating the retiring secretary for his work in "purifying" the party, and expressing his appreciation of Giuriati's great services to Fascism, particularly in the organization of the Fascist youth and in the development of its charitable and social service institutions. The significance of the former has been attested with particular emphasis recently by the phenomenal increase in the membership of the young Fascists from 440,000 to 760,000. Later in the month, and seemingly also in accord with the Vatican, Lando Ferreti, chief of the Fascist press bureau, the most powerful agency in the gathering and dissemination of news in Italy, was replaced by Gaetano Polverelli, a Deputy and the editor of *Il Popolo d'Italia,* the Duce's newspaper. Polverelli has been from the first an advocate of rapprochement with the Vatican.

Another cause of disagreement between the Vatican and the Fascist Government was removed when the Holy See announced through the columns of its semi-official organ, the *Osservatore Romano,* that Catholic University professors might take the oath to the Fascist régime because "Fascism is not a political party but the government of the nation." The oath, which reads as follows, is unique in academic circles:

> I swear to be faithful to the King and his royal successors and the Fascist régime. I swear loyally to observe the Constitution and the laws of the kingdom. I swear to fulfill my academic duties with the aim of forming industrious and upright citizens, devoted to their country and to the Fascist régime. I swear I do not belong nor will I belong to associations or parties whose activities are irreconcilable with the duties of my office.

More than 12,000 professors took the oath, but eleven refused. So far as the conflicting list of names permits of a correct statement, they are: Senator Francesco Ruffini, historian of Turin; Bartolo Nicrisoli, surgeon and pathologist at Bologna; Georgio Errera, chemist at Pavia; Lionello Venturi, Professor of the History of Art at Rome; Ernesto Buonaiuti, Professor of Christian History at Rome; Pietro Martinetto, Professor of Philosophy and Law at Milan; Ernesto Ruffini of Perugia; Senator Vito Volterra, physicist at Rome; Gaetano de Fantis; Georgio Ievi, mathematician of Bologna, and Mario Cerrara, physiologist at Turin.

On Dec. 21 Arnaldo Mussolini, the Premier's brother, died suddenly of a heart attack. Besides being editor of the Duce's paper, *Il Popolo d'Italia,* he was president of the National Benefit Association of Journalists and held various Fascist offices.

PORTUGUESE DICTATORSHIP ASSAILED

Dissatisfaction in Portugal with the Carmona régime was evidenced recently by a number of acts of violence and rioting. At Evora Cabinet officers, military officers, students and other supporters of Carmona clashed with the populace, shouting, "Down with the dictatorship!"

Steps are being considered for stabilizing the escudo somewhat below the present level. During the month the Minister of Finance is reported as saying that the escudo would remain stabilized at about 3 cents—that is, at 33.34 to the dollar. Export trade has increased considerably since the fall of the pound sterling. Prices are cheap and foreign buyers have been taking advantage of them.

Penalty of Hungary's Extravagance

By FREDERIC A. OGG
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THE precarious financial situation of the State continued during December to be a main theme of discussion throughout Hungary. A report of the Supreme Control Bureau relating to extra-budgetary expenditures in the second half of the fiscal year 1930-31, revealed that the last half-year of Count Bethlen's government was characterized by a shocking waste of money. This had been known more or less before, but it had not been so well understood that most of the sums expended in excess of the estimates—a total of $13,554,750—were for the purpose of secret or open armaments. The Minister of National Defense overdrew the amount approved by Parliament by the largest figure—$2,675,970. But the Ministry of Education was not far behind, with a program of "physical culture" which had as its main objective the military preparation of youth, and which entailed, among other expenditures, $244,860 for Summer manoeuvres of university military units. In some Central European countries the banks have had to shoulder much of the blame for bad fiscal conditions, but in Hungary the fault is largely that of the government itself.

At present it is not clear that the Karolyi Government, which succeeded the discredited Bethlen régime, has greatly bettered matters. On Dec. 11 five Opposition members of the economy committee of thirty-three appointed a few months ago to assist in reducing expenditures resigned because of dissatisfaction with the government's record. The Ministry—so these critics declared– has not relieved the country of unessential State enterprises, curbed excessive outlays, or ended interference with legitimate private activities. Instead, it has laid new burdens on the people.

At the conclusion of recent negotiations, the Financial Committee of the League of Nations advised the Budapest authorities to continue paying their foreign obligations by cutting down the budget, but on Dec. 18 it became known that the government would soon announce the necessity for a one-year moratorium on most of the country's debt payments, both for interest and amortization. Four days later, the expected arrangement became effective for two-thirds of the foreign debt, with a probability that it would be extended to the remainder unless active trade balances could be achieved. An official statement declared the step necessary because trade balances had of late been insufficient to provide a surplus of foreign currencies acceptable to Hungary's creditors.

It goes without saying that the step taken was of concern to numerous investors in the United States. When the moratorium was proclaimed, American investments and credits in Hungary were estimated at $179,000,000, including $134,400,000 of governmental and corporate securities—nearly all in private hands. Indeed, more American money is invested in Hungary than in any other country in Southeastern Europe, although Austria is a close second. According to experts, American investors in Hungary will lose between $12,000,000 and $14,000,000 in the coming year. Announcement of the moratorium had been expected in Wall Street for sev-

eral weeks and resulted in only a slight fall in Hungarian securities.

In commenting on the moratorium, Budapest newspapers warned foreign creditors that they must not expect repayment of their $160,000,000 short-term loans for two or three years, and therefore must reconcile themselves to converting them into long-term obligations. American banks have $39,000,000 invested in short-term loans in Hungary, which, if the press forecast is to be accepted, will be irremediably "frozen" for some time to come.

On Dec. 12, Count Anton Sigray, now the most influential of the Hungarian Legitimists, told an American correspondent that his party would scorn to achieve its objective by means of an "Otto putsch" and frankly admitted that if the Habsburgs are not restored to the throne in the next ten or twenty years they will have lost it permanently. "Certainly the present," he said, "would be an impossible time to plan a Habsburg restoration," and he added that an international agreement by the more important powers would be an indispensable preliminary.

CZECHOSLOVAKIA RECEPTIVE TO CUSTOMS ACCORD

The rather exceptional prosperity which Czechoslovakia has enjoyed in an era of depression has of late begun to be seriously endangered by the penury of its customers and by the British tariff. Germany, Austria, Hungary, Poland, Rumania, Yugoslavia, and Great Britain—in that order of importance—account for 58 per cent of the country's foreign trade. But Germany has practically ceased to import; Austria and Hungary are dead markets unable to pay even for past imports; Polish, Rumanian and Yugoslav importing capacities are dubious; and Great Britain is restricting imports by tariffs and boycotting them by propaganda. Completely dependent for prosperity upon the generous flow of exports, Czechoslovakia is frankly disturbed by the outlook.

Most proposals for remedy look to some form of "Danubian cooperation," not—in the immediate future, at all events—a customs union, but a preferential system embracing Czechoslovakia, Yugoslavia, Rumania and also Austria and Hungary. These countries, to be sure, would still maintain certain tariffs against each other, but far lower than against the rest of the world. No large State, like Germany or Italy, which might dominate the group, would be accepted as a member. If all went well, the eventual result might well be a full-orbed customs union.

Notwithstanding a common need for rejuvenated trade, the plan gives small promise of early adoption. Hungary objects because of the predominance of the Little Entente States and because it is too "agrarian"; other States regard it as too political; Germany could be counted on to resist it as an obstacle to achievement of the Austrian Anschluss. Meanwhile, feeling that she is still in a stronger position than the rest, Czechoslovakia awaits overtures from her neighbors.

From Dec. 2 to 4, the fourth conference of the Czecho-Polish Press Entente was held at Prague for discussion of the international situation and of means by which the press of the two countries can best serve the nation's interests. One of the two principal resolutions adopted noted the growth of revisionist propaganda and took a strong position against it, maintaining that "the new world order, created by the sacrifices in the World War, must be preserved." The second resolution warmly endorsed that portion of the note of the Polish Government concerning "moral disarmament" which was filed with the Secretary General of the League of Nations earlier in the year.

POLISH FOREIGN POLICY

A Soviet-Polish non-aggression pact was under discussion during the closing weeks of 1931, and on Dec. 26 the Polish Ambassador to Moscow, M. Patek, appeared in Warsaw, following

negotiations with Foreign Commissar Litvinov, to put the finishing touches on the project. The matter has been under consideration at intervals for as long as nine years. In 1926, a definite Soviet proposal was made, but nothing came of it since Poland declined to adhere unless a similar pact were concluded between Russia and Rumania. During the more recent negotiations, in which the initiative was again taken by Moscow, it became apparent that Poland would not insist upon a parallel Rumanian agreement, although steps looking to such an agreement were contemplated both at Moscow and at Bucharest. In view of the difficulties at home, the necessity of keeping a watchful eye on the Far East, an uncertain situation in Germany and the rehabilitation of the Conservatives in Great Britain, Moscow has of late been more amenable to Polish suggestions than in earlier days. The movement is regarded as the most favorable one that has appeared to complete a series of agreements calculated to insure quiet not only on the Polish but also on other European fronts. Poland insists that she has no aggressive aims toward Russia and indicates that she would be glad to conclude a commercial treaty as well.

Foreign Minister Zaleski visited London in December in the hope of removing alleged British misunderstanding of Polish foreign policy. A main theme of discussion was disarmament. The Polish view of the conditions deemed indispensable for security which were presented closely resembled that already made familiar by French pronouncements on the same subject. As the British view the situation, Poland—now a leading Central European power and situated between two unfriendly countries, Russia and Germany—is as able to block disarmament as France herself.

FARM CONFERENCE AT SOFIA

The Ministers of Agriculture of the Central and Eastern European agrarian States met at Sofia in the middle of December to consider modes of improving the agricultural situation. Declaring that efforts by individual States or regional treaties to relieve the depression are useless, the conference went on record for such cooperation as will insure "a single European market." It also condemned the exchange restrictions prevailing in Central Europe because of their adverse effect on trade and called for the conversion of short-term agrarian debts into long-term obligations.

In an official statement on the results of his visit to the Turkish Government at Ankara, which had given rise to reports that an entente was being formed by Bulgaria, Greece and Turkey, Premier Muschanov announced on Dec. 8 that a Bulgarian-Turkish commission had been established to regulate economic questions between the two countries. He admitted that political matters had also been discussed, including the international situation and the special situation of the Balkans, and said that unity of view had been established regarding them.

MEETING OF YUGOSLAV PARLIAMENT

After a three-year interruption because of the dictatorship the Yugoslav Parliament met on Dec. 7. By right of seniority, the 80-year-old Professor Spinchich, once a member of the Austrian Imperial Parliament, assumed the president's chair and, by an impassioned panegyric of King Alexander, stirred the body to a notable demonstration of homage. Among the Deputies were many who, although now appearing under the banner of the government's National party, could be identified as prominent members of the older parties placed under the ban during the dictatorship.

RUMANIAN AFFAIRS

Conflicting reports concerning the political consequences of the elopement of Prince Nicholas and Mme.

Jana Deletj on Nov. 8 were resolved in the middle of December by the authoritative announcement that the Prince had agreed to renounce his bride and that a complete reconciliation between him and his brother, the Rumanian monarch, had taken place.

It became known on Dec. 28 that the Rumanian National Bank had received a credit of $10,000,000 from the Bank of France to be used during the Winter, when the export of grain is difficult because the banks are short of foreign exchange.

Finland's Verdict Against Prohibition

By JOHN H. WUORINEN

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A NATIONAL referendum on the question of prohibition was held in Finland on Dec. 29 and 30. Although the final tabulation of the vote was slow in being completed, it was early apparent that the Wets had carried their program for repeal by a much greater majority than had been expected. Approximately 50 per cent of the electorate went to the polls to express an opinion on prohibition, and 70 per cent of these voters favored the repeal of the existing system.

The government bill providing for a consultative referendum on prohibition had passed the third reading on Dec. 12, with only fourteen dissenting votes. The majority for the bill was surprisingly large as the measure obtained a majority of only fourteen votes in the second reading three days earlier. The questions upon which the Finnish citizenry was asked to register opinion were: (1) "Shall the prohibition law be retained in its present form?" (2) "Shall the prohibition law be replaced by an enactment which permits the manufacture and sale of milder alcoholic beverages, under a system of control and taxation?" (3) "Shall the prohibition law be replaced by an enactment which permits the manufacture and sale even of stronger alcoholic beverages, under a system of control and taxation?"

During the fortnight before the referendum, the country was greatly aroused by the campaign waged by the Wets and Drys. The keynote of the Wet attack was sounded by the government itself when the referendum bill was submitted to Parliament on Dec. 3. According to the government, twelve years of prohibition had brought forth none of the blessings expected when the law became effective in June, 1919. The continued wholesale violations of the law not only nullified the efforts to enforce prohibition, but led to a growing spirit of general lawlessness. Prohibition brought unfavorable economic consequences in its train, by placing a heavy burden on citizens living on lawful incomes, while the horde of purveyors of illegal intoxicants escaped taxation. Sobriety did not become more general, while crime grew by leaps and bounds. The imperative need for new sources of income, without which the budget difficulties of the past few months could not be overcome, demanded a policy of taxing the liquor trade which admittedly existed in spite of the efforts to outlaw it.

The campaign was interesting for the fact that party lines and divisions disappeared, for all the political organizations—the Liberal, Agrarian, Conservative and Swede-Finn—were unwilling to participate in the contest as parties. The Socialists and Agrar-

ians, however, contributed much to the Wet cause, while the clergy appear to have supported the friends of prohibition. The only body in Finland that has been laboring for years for the repeal of the law, the Association for Temperance Without Total Prohibition, opposed the vote as late as Dec. 6. It was contended that the government should repeal the law without a referendum, because a national vote would not result in a real test of public opinion since the voters would probably be misled by the well organized Dry groups. Apart from the clergy, vocational or class lines were erased during the campaign. The contention frequently heard during recent years, that the prohibition law represented class legislation supported by the lowly, and opposed by those who sit in high places, or that the Finnish-speaking part of the population has been the friend of the law, while the Swede-Finns have been its enemies, was shown to have no basis in fact.

While the referendum was consultative and not mandatory, the government stood ready to act upon it at once. A new liquor bill was outlined even before the outcome of the vote was known. The measure, reported on Jan. 6, included the following main features: Strict government control of the traffic in strong drink; a ban on sales in holiday periods; limitation of the stocks of authorized dealers; supervision of the liquor trade by a board of control consisting of eleven members chosen by the Cabinet with the approval of Parliament.

SWEDEN'S ECONOMIC PROBLEMS

A serious conflict between capital and labor in Sweden was averted on Dec. 21, when, after prolonged negotiations and the mediation of a government committee, an agreement was reached between employers and workers in the iron and machinery industries. The truce will assure jobs for some 60,000 men during the current year.

Interesting figures on Swedish State lotteries were made public on Dec. 5. For the past thirty-five years the State has held lotteries as a safety-valve for the gambling spirit of the nation, while receiving substantial revenues from taxes on the lotteries. The Royal Opera and various theatres and musical organizations have been aided substantially by income from this source. The Royal Dramatic Theatre, a marble edifice in the heart of the capital, was built with funds obtained from the lotteries, and the Swedish Red Cross, the Swedish Cyprus Archaeological Expedition, the Swedish Olympic Games Committee, hospitals and so forth have benefited also.

SWEDISH STATE RAILWAYS

The Swedish State Railways recently celebrated their seventy-fifth anniversary, a celebration which marks practically the end of railroad building in Sweden. Except for a few strategic links in the far North and some minor lines in the South, built partly as emergency unemployment relief, no new construction is in progress or is contemplated. On the other hand, further electrification of existing lines is under way, and since Sweden has no coal but plenty of hydroelectric power a gradual change from steam to electricity is likely. In spite of the depression and the competition of motor cars and buses, the Swedish State Railways, the country's largest business enterprise, whether public or private, have managed to pay a fair rate of interest on the capital invested. Under the management of Axel Granholm, himself an old-time construction chief in the Arctic Zone, the gross income for the first nine months of 1931 was 125,300,000 kronor (at par the krona is worth 26.8 cents) and the expenditures 107,000,000 kronor, leaving a surplus of revenue over expenses of 18,300,000 kronor.

The first two railroad lines in Sweden were opened in December, 1856. Since then the system has ex-

panded to a total of about 10,505 miles, and of these the State owns 4,111 miles. From the first the principle was laid down by the Swedish Parliament that the State should build and own the main lines, while private interests should control the feeders. Some foreign capital, chiefly British in the minor lines, was invested, but now most of the securities are held by Swedes. Though the State owns but 40 per cent of the mileage, its trains have 45 per cent of the seating capacity and 51 per cent of the freight space. In 1929 the publicly owned trunk lines carried 61 per cent of the passengers and 64 per cent of the freight; their income was 67 per cent of the total revenues. The trunk line between Stockholm and Gothenburg was electrified in 1926 at a total expense of 42,000,000 kronor. The running time was thereby cut down from nine to seven hours, while 115,000 kronor are saved each year in operating expenses. Now the other main trunk line in the country, that from Stockholm to Malmö, in the extreme south, is being electrified. The distance is nearly 400 miles and the total cost will approach $20,000,000. When this program is completed in 1934, the running time of the through trains from Stockholm to Berlin and Hamburg will be cut by several hours. In all more than 1,134,000,000 kronor have been invested in the construction of the Swedish State Railways, on which the traffic last budget year yielded a return of 3.94 per cent. To meet the ever-growing competition by motor buses, the railway administration has opened its own bus routes in the parts of the country lacking modern transportation facilities.

THE DANISH ECONOMIC SITUATION

During the closing weeks of 1931, the economic crisis in Denmark showed no signs of improvement. A year ago, the unemployed numbered some 43,000; on Dec. 1, 1931, the corresponding figure was over 82,000. Most of this increase was reported during the closing months of the year—about 37,000 since Oct. 1, the date when the Riksdag decision concerning extra unemployment relief went into effect. During the month the British slogan, "Buy British," had a disquieting effect upon the Danish agriculturists, because Great Britain is Denmark's best customer. Agricultural products sold in recent months brought the lowest prices in twenty-five years. Two government measures designed to improve the situation were taken during the month. A special commissioner was appointed to control the National Bank transactions in foreign credits, and an effort was made to provide Danish agriculture with a central clearing house for the purchase and sale of foreign credits.

LATVIAN CABINET CRISIS

The Latvian Cabinet crisis was ended on Dec. 5 when Mr. Skujeniecks succeeded in forming a new government, although two of the portfolios were assigned but tentatively. The new Cabinet obtained the support of the Legislature by a vote of 51 to 36. The opposition was composed of the Social Democrats, the Communists, and the Russian, German, Jewish and Polish minority representatives. The program of the Skujeniecks Ministry stressed the necessity of finding remedies for the present economic depression, and advocated import restrictions, additional customs dues and assistance for domestic agriculture and industry as the means for improving the situation. It was intimated also that recourse would be had to increased taxation, reduction of the salaries of the higher public servants, and to the establishment of certain State monopolies. Some of the items of the new economic policy were made known on Dec. 15, when it was announced that the government would establish a sugar monopoly, that real estate taxes were to be increased by 100 per cent, income tax by 50 per cent, railway tariffs by 20 per cent,

and that a special "depression tax" would be levied.

LITHUANIAN PRESIDENTIAL ELECTION

The law providing for the election of a President in Lithuania was signed on Nov. 25. The Electoral College convened on Dec. 11 and proceeded to the first election of the Chief Executive since the coup d'état, about seven years ago. The electors agreed unanimously that the present incumbent, A. Smetona, should be continued in office. President Smetona was sworn on the same day, and will serve for a seven-year term. The President is 57 years of age, a lawyer by profession, and has held several important government posts in the course of an active political career.

Soviet Anxieties Over Five-Year Plan

By EDGAR S. FURNISS

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THE session of the All-Union Executive Committee which convened on Dec. 22 brought together 2,000 delegates from all parts of the Soviet Union to survey the achievements of the past year and to pass upon plans for the completion of the Five-Year program during the next twelve months. This body is a central unit in the broadest governmental framework of the country, corresponding in structure, though not in the extent of power which it wields, to the Congress or Parliament of other Federal States. It stands in contrast, on the one hand, with the governmental organs of the Communist party, which are the real repository of political authority in the Union; and on the other hand with the official agencies of the constituent members of the Federal Union—the governments of Russia proper and the six other major constituent republics—upon which falls the chief burden of administration. The meeting of this body was but one step in a succession of important political conferences which are intended to bring all these divisions of constitutional and extralegal authority in Russia to bear upon the great problem of planning for the future. Immediately preceding the opening of the All-Union Congress the Central Executive Committee of the Russian Soviet Republic (Russia proper) met to receive from President Kalinin a digest of the plans as they affect this predominant member of the Union. On Jan. 30 a meeting called by Stalin as Secretary General of the Communist party drew into conference the entire officialdom of the party organization from all its regional and functional divisions throughout the Union. After these deliberations, the rank and file of the party membership assembled, through their elected representatives, in a congress which, possessing the ultimate political authority, passes final judgment upon these plans.

The substance of the official attitude toward the current achievements of the program, as well as the main lines of advance mapped out for the coming year, was clearly set forth in the meeting of the All-Union Executive Committee through the speeches of Molotov, Union Premier; Quibeshev, President of the State Planning Commission, and Grinko, Commissar of Finance. Whatever anxieties the leaders concealed, Molotov's review of the third "decisive" year, just past, was a virtually unqualified endorsement of the record thus far achieved, and a confident prediction that the entire

program would be completed eight months before the appointed time.

To the impartial student of these matters both phases of the statement appear to be at variance with the facts. It is true that a judicious use of statistics can make it appear that the Five-Year program is at present well ahead of schedule. This can be shown with regard to the structural form, though not the productivity, of the agrarian economy; or, to repeat the statistics selected for emphasis by Molotov, it can be shown that there are now 18,000,000 industrial workers in Russia, as compared with the 15,000,000 provided for at the end of the fifth year; that total capital investment next year will be above 78,000,000,000 rubles, as compared with the 54,000,000,000 originally scheduled for 1933; that industrial production stated in ruble prices is already above the ultimate expectations of the program. But such a marshaling of statistics fails to tell the whole story. No reliance can be placed upon evidence which runs in terms of ruble values (at par a ruble is worth about 50 cents), because of the wholly artificial character of this standard of measurement. The labor supply may be large in absolute numbers, but the significant fact, as admitted by Molotov, is that the productivity of labor is only 60 per cent of the expected rate. Moreover, as regards the supreme objective of the program—the attempt to render Russia self-sufficient in the basic heavy industries—other statistics which might have been quoted would have placed a very different estimate on the record. In the three categories of coal, iron and steel, for example, the program for the past year called for outputs of 77,000,000 tons, 8,300,000 tons and 8,800,000 tons, respectively; while the actual accomplishment was approximately 66,000,000 tons of coal, 5,000,000 tons of pig iron and 5,000,000 tons of steel.

The program for the immediate future was discussed in detail by Quibeshev, who laid before the congress the control figures for 1932. The program is expressed in a maze of statistics which it is impossible even to summarize in limited space; but its general character can be made clear by a few comparisons of the schedules with each other and with corresponding figures for the previous year. Of primary importance is the change of emphasis from the construction of capital to the supplying of consumers' needs. There is to be a 100 per cent increase in housing, a 50 per cent increase in expenditures on the cultural and social services of the State, a 30 per cent increase in the supplies of factory products for household use, a 33 per cent increase in wages, and an indefinite increase in the food supply for home consumption. These rates of change may be contrasted with a proposed 8 per cent increase in steel production, 8 per cent in iron, 16 per cent in coal, and a general increase of 30 per cent in capital investment. The obvious intention is to call a halt upon the headlong pace of industrialization, which, as disclosed by the experience of the past six months, was leading to disappointment; and to relieve the pressure upon the overburdened people. The change of direction has the additional merit of reducing the reliance of the program upon imports and avoiding a further dangerous increase in Russia's foreign indebtedness. These adjustments to the necessities of the case are to be made without confession of failure as regards the general purposes of the program as a whole. The new control figures make an impressive forecast of increase in total national income amounting to over 11,000,000,000 rubles; and Quibeshev repeats Molotov's assertion that the schedules represent a completion of the original Five-Year program well ahead of time.

It can be shown by analysis of the figures that this interpretation of the proposed rate of progress is no more in harmony with the facts than was Molotov's characterization of the ac-

complishments of the past year. Here, too, statistics which run in value terms must be heavily discounted if not disregarded entirely, and attention must be focused upon measures of concrete product. Referring again to only a few of the basic categories, it is to be noted that, whereas the original program called for a steel production of 10,500,000 tons in the final year, the revised figure for 1932 —now the last year of the program—specifies 9,500,000 tons; the final estimates of pig iron have fallen from 10,000,000 to 9,000,000 tons; electric power from 22,000,000,000 to 17,000,000,000 kilowatt-hours. Coal is almost a unique exception among the basic industrial categories; in this case the new figures call for an increase of 15,000,000 tons over the original estimates for the final year. Even if the program for 1932 is completely fulfilled, the Five-Year Plan will have fallen short of accomplishment. But it is a safe prediction that the plans for 1932 will not be fulfilled. In coal, steel and iron last year's actual record shows a deficit of nearly 50 per cent as compared with the control figures for 1931. The figures for 1932, sharply revised downward though they are, call for a doubling of actual output in these industries in the space of twelve months, starting from a level which demanded the utmost human effort that dictatorship could induce. Merely to state the dimensions of the task which the Soviet leaders have assumed for the coming year is sufficient to make it appear beyond the capacity of the nation to perform. The truth is that from the point of view of domestic politics the details of the program have lost their importance.

It is from the standpoint of Russia's position in international economic affairs that the specific figures of the program acquire significance. The revised forecasts of progress in industry would seem to set at rest all fears that the Soviet Union was soon to rise to the forefront among industrial nations. It now appears that even if the plans for 1932 are completed successfully the Soviet Union will still be on a relatively low plane with regard to basic industrial activities. The achievements of 1931 in coal, iron, steel and electric power were, on the average, about 10 per cent of the productivity of the United States in these lines. The figures for 1932 propose to double the rate of productivity in these industries, but this, impossible of fulfillment as it seems, would still leave the Soviet Union far behind advanced industrial nations. The emergence of an industrial giant created by the magic of planned economy out of a simple peasantry is an event of decades, if not of generations, in the future—not a matter of a few years, as has been supposed. And this is even more true of the general lines of factory production in which fear of Soviet competition in world markets has been especially disturbing. The plans for 1932 do not come within measurable distance of meeting the demand of the Russian market for products of this character. For other nations to base their policy on forecasts of the effects of the Five-Year Plan implies a disregard for obvious facts.

RUSSIA'S FOREIGN POLICY

In the sphere of foreign relations the year just past has witnessed one rather far-reaching change in the position of the Soviet Union. A year ago the dominant factor in European politics was the development of a bloc of States opposed to French hegemony on the Continent. The basis of this development was provided by the opposition of the Central European powers to the conditions imposed upon them by the Versailles treaty; Italy, by her distrust of France, was induced to lend her support. The situation thus created gave the Soviet Union opportunity to increase her political influence in Europe and in particular to gain strength at the expense of her Western neighbors, who are allies of France, by throwing her weight into

the scale on the side of the anti-French bloc. Accordingly, her European policy was characterized by a rapprochement toward Germany and Italy and a common cause with these States and Austria in the problems of the League of Nations. When Germany's financial collapse put an end to this movement the Soviet Union shifted the direction of her European policy. Her new policy is indicated by the negotiations with France and Poland looking toward the establishment of non-aggression pacts and liberal trade treaties and by her proposals to the League of Nations for disarmament and economic non-aggression. Premier Molotov, at the recent meeting of the All-Union Central Executive Committee, expressed his belief that the negotiations with France and Poland would be successful, and stated that Rumania, Estonia and Finland had expressed a desire to enter into pacts of similar character with Russia. Instead of a Europe divided into two opposing camps, with the Soviet Union holding the balance of power, Russia is now working to create a disarmed continent within which each important State will be neutralized by individual treaty, thus providing an arena in which her own potential economic strength may find opportunity for unhampered development.

With non-European States Soviet relations have changed but slightly during the course of the year. There has been some strengthening of her position in Asia Minor, one of the strategic points in the international setting. As a result of Litvinov's visit to Ankara in November the friendship between the Soviet Union and Turkey was further cemented. On the American Continent the attitude toward Russia has grown, if anything, more unfriendly, with the triumph of the embargo movement in Canada and with maintenance by the United States of her traditional policy of critical aloofness. In the Far East the expected increase of Soviet influence due to the disintegration of China has not occurred, and there is no present prospect that Russia will recover the position of dominance in Chinese policy from which she was driven five years ago. The Manchurian crisis has had the effect of testing the cordiality of Soviet-Japanese relations, which recently were improved by the settlement of the dispute over fishing rights. From this point of view, the one obvious result of Japan's invasion of Manchuria has been to demonstrate the security of her treaty of friendship with the Soviet Union. The consideration for Soviet susceptibilities shown by the Japanese military forces on the one hand and the tolerant attitude of the Kremlin on the other have turned a dangerous situation into an exhibition of mutual interest. It is noteworthy that the official Soviet press, after the first flurry of misgivings, has expressed no distrust of Japanese policy, but has leveled its attack against unnamed "capitalistic" enemies whose sinister attempts to precipitate a Russian-Japanese war have proved unavailing.

Proposed Union of Syria and Iraq

By ALBERT H. LYBYER
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DURING November certain journals of the Near East discussed seriously the possibility of King Faisal of Iraq becoming also King of Syria, thus bringing the two countries together under one ruler and making possible a future political unification. The combined area would be about 240,000 square miles, somewhat larger than France, with a pop-

ulation of less than 6,000,000. Syria and Iraq have already been under one government, since for 400 years before 1918 they were parts of the Ottoman Empire. The peace settlement after the World War gave France a mandate over Syria and Great Britain similar control over Iraq. The latter is about to be recognized as a practically independent State and admitted to the League of Nations.

A Constitution for Syria, in the narrower sense, was proclaimed by the French in May, 1930, and an Assembly was recently elected under this instrument. The proponents of union with Iraq would have this Assembly proceed to such amendments as would make Syria a kingdom, and then choose Faisal as King. Previous agreement with France would be necessary for these steps, however, since French mandatory rights were bestowed by the League of Nations and expressly reserved in the Constitution. Here, indeed, is the difficulty of the proposal. Faisal has already once been proclaimed King of Syria—in 1920—but he was driven out by French arms. Subsequently made King of Iraq by Great Britain, and in special treaty relationship to that power, he would have to arrange another treaty relationship with France. Such a double connection would be unprecedented and of doubtful practicability. A common bond, however, exists in the joint interest of France and Great Britain in the oil of Mosul. The projected pipe lines there would give physical expression to this connection.

Perhaps a more serious obstacle to the plan than the difficulty of agreement between Great Britain and France is the absence of unanimity in Syria itself. The Lebanon would surely not wish to enter a State wherein Mohammedan predominance would be more marked than ever. The Druse Mountain has expressed opinions unfavorable to unity with the Syrian State. Most significant of all, the elections in Syria itself have been turbulent and violent beyond precedent.

Nationalists favoring a republic and Royalists favoring a monarchy began to clash before the beginning of the elections on Dec. 20. Members of the former group charged French officials with seeking to influence votes in favor of certain candidates. The French flatly denied having done this. On the day of the elections fighting took place in various towns, including Damascus, Doma, Hama and Aleppo. In the first-named city, troops fired on the mob, killing five and wounding fifty. The government thereupon stopped the elections until peace was restored. In certain regions the voting was completed, however, with success for moderate rather than extremist candidates.

IRAQ STATEHOOD APPROVED

On Jan. 5 the Permanent Mandates Commission of the League of Nations published a special report in which it recommended that Iraq be recognized as a sovereign State, provided it become a member of the League. The recommendation is not without qualifications. The commission would not have approved termination of the mandate had not Great Britain assumed the continuation of some responsibility. Opinion was expressed that the Anglo-Iraqi treaty of June 30, 1930, does not "explicitly infringe upon the independence of the new State." Without the League's protection, however, Iraq would not fulfill the conditions of being able to maintain its territorial integrity and political independence.

THE MOSLEM CONGRESS IN JERUSALEM

Haj Amin el Husseini, Grand Mufti of Jerusalem, was elected president of the Moslem Congress which began its sessions in Jerusalem on Dec. 6. Subcommittees were elected to make reports upon the protection of the holy places, the establishment of a Moslem University at Jerusalem and

the control of the Hejaz railway. The Egyptian delegates refused to serve on these committees. In later meetings attacks were made on the Zionists and on British policy in Palestine. Among the resolutions finally adopted were a protest against the Jewish National Home, a proposed boycott by Moslems of Jewish goods manufactured in Palestine, a rejection of the decision of the Wailing Wall Commission, and a project for a $5,000,000 corporation, to be shared by all Moslems of the world, which would combat Jewish nationalist activities in Palestine. This corporation would create the desired Moslem University at Jerusalem.

Meantime, the Opposition party, led by Raghib Bey Nashashibi, Mayor of Jerusalem, condemned the Mufti's assumption of leadership. They also passed a series of resolutions, in which they called themselves "the congress of the Palestine Moslem nation," refused to recognize the Mufti as president of the congress, and proposed negotiations with other Moslem countries for another general congress independent of any Moslem kingdom and uncontrolled by any European power.

Japan's Occupation of Manchuria

By HAROLD S. QUIGLEY

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DISREGARDING the resolution adopted by the Council of the League of Nations on Dec. 10 and the representations of Great Britain, France and the United States, the Japanese Government authorized its forces in Manchuria to complete the occupation of that region. Accordingly, a military movement began on Dec. 21 to drive out of Chinchow the government of Marshal Chang Hsueh-liang and the army of that government, which, according to the common consent of neutral military observers at Chinchow, was peaceably garrisoning the city without any intention of making futile efforts to recover territory already in Japanese occupation. On Jan. 2 Chinchow was in Japanese hands. Although threats of attempting to hold the place had been issued from Peiping, Chang Hsueh-liang's present capital, they were merely in response to the vehement student agitation for war, and Chinchow was surrendered without bloodshed. The ten-day drive from the South Manchuria Railway zone was, however, attended with sporadic fighting and with the bombing of Chinese towns and villages by Japanese airplanes. Japan's highly superior equipment and discipline, together with the numerical adequacy of her forces, made easy prey of the scattered units of Chinese soldiers—called bandits by the Japanese in order to create an apparent justification for the continuance of their campaign of conquest.

Thus it was that Chang Hsueh-liang, the able young dictator of the three Eastern provinces, whose willingness to cooperate with the Nanking Government in the upbuilding of a united China distinguished his rule from that of his father, Chang Tso-lin, was turned out of his last foothold in Manchuria. For Chang Hsueh-liang's departure the Chinese peasants will not mourn, since they know him as a ruler who acquiesced in their being mulcted by official banks which bought their soya beans with depreciated paper and sold them for gold yen. But at the repression of the national spirit through which alone the

unity that the powers have been demanding as the condition of treaty revision is possible—a repression which the Japanese Government has been seeking means to accomplish ever since Chang Hsueh-liang succeeded his father in 1928 (see article by Wilbur Burton on pages 650-654)—both the Chinese and all who believe that one of the world's greatest peoples should be allowed to work out its own methods of government cannot but feel profound regret.

Japan's action contravened the undertaking of her government stated in the League's resolution of Dec. 10 "to adopt all measures necessary to avoid any further aggravation of the situation and to refrain from any initiative which may lead to further fighting and loss of life." That this is a fair conclusion is witnessed by the representations of the United States and other powers. The Japanese reservation of the right to "take such measures as may be necessary to assure directly the protection of the life and property of Japanese subjects against bandits and lawless elements" did not cover so portentous a move as the expulsion of the surviving representatives of Chinese sovereignty. Secretary Stimson stated on the day the League's resolution was adopted that "the future efficacy of the resolution depends upon the good faith with which the pledge against renewed hostilities is carried out," and when it became known that Japan intended to advance to Chinchow he instructed Ambassador Forbes in Tokyo to express the opinion that such a move would have a bad effect upon world opinion. Again on Dec. 22 Ambassador Forbes received instructions to express the concern of his government at Japan's reported program respecting further military action. Concurrent representations were made by Great Britain and France.

Japan's replies to the three powers, made on Dec. 27, exhibited the extent of her present pretensions. In a statement issued the same day, the Japanese Government baldly asserted that it must assume the duty of keeping order, since Japan's acts of self-defense had resulted in the flight or resignation of the constituted Chinese authorities. It listed "bandit" raids and charged the Chinese with bad faith in failing to withdraw from Chinchow upon request. It also declared that the Chinese authorities, "while simulating an unaggressive attitude," were continuing "to instigate and manipulate bandit organizations." No reference was made to the effect of the Japanese occupation in turning regular troops into irregulars by the dispersion of Chang Hsueh-liang's armies. The frequently reiterated refrain sung by the Japanese in the days when Chang Tso-lin ruled Manchuria more accommodatingly, the refrain which compared conditions in Manchuria so favorably with those in the bandit-ridden Middle Kingdom, apparently has been forgotten.

Ambassador Forbes filed a protest at the Japanese Foreign Office in December, in which it was contended that the "open door" policy in Manchuria was being violated inasmuch as payment of debts due from the former government of Manchuria to American firms was being delayed. Assurances were given that the debts would be paid. More serious was the news that Japan had assumed direction of banks, public utilities, cotton mills and power plants, and had amalgamated 677 miles of Chinese railways under Japanese mortgage with the South Manchuria Railway. It appeared that economic as well as political suzerainty was in process of thorough establishment.

In consequence of this extension of Japanese dominance in Manchuria the United States consulted with Great Britain and France as to what action should be taken, and on Jan. 7 Secretary Stimson sent to the Chinese and Japanese Governments the following note, copies of which were also handed to the diplomatic representatives of

Belgium, Great Britain, France, Italy, Holland and Portugal:

> With the recent military operations about Chinchow, the last remaining administrative authority of the government of the Chinese Republic in South Manchuria, as it existed prior to Sept. 18, 1931, has been destroyed. The American Government continues confident that the work of the neutral commission recently authorized by the Council of the League of Nations will facilitate an ultimate solution of the difficulties now existing between China and Japan.
>
> But in view of the present situation and of its own rights and obligations therein, the American Government deems it to be its duty to notify both the Imperial Japanese Government and the government of the Chinese Republic
>
> That it cannot admit the legality of any situation de facto, nor does it intend to recognize any treaty or agreement entered into between those governments, or agents thereof, which may impair the treaty rights of the United States or its citizens in China, including those which relate to the sovereignty, the independence or the territorial and administrative integrity of the Republic of China, or to the international policy relative to China, commonly known as the open door policy;
>
> And that it does not intend to recognize any situation, treaty or agreement which may be brought about by means contrary to the covenants and obligations of the Pact of Paris of Aug. 27, 1928, to which treaty both China and Japan, as well as the United States, are parties.

The meaning of the note was explained by the State Department as follows:

> In the first place, of course, we have no desire to question Japan's legitimate treaty rights in Manchuria. We do not intend to interfere with them in the slightest degree. In the second place, we have no desire to intrude ourselves into any settlement which Japan and China may make of their present unhappy difficulties, except—and these are the exceptions:
>
> First, that nothing in that settlement must impair our rights or our citizens' rights in China as set out in the open door policy and in the Nine-Power Treaty, which embodied the open door policy, and,
>
> Second, except that the settlement should be not achieved by a violation of the methods agreed to in the Kellogg pact.
>
> That is the substance of the position which we have taken.

President Hoover on Jan. 7, when he received the credentials of Dr. W. W. Yen, the new Chinese Minister to the United States, also indicated that this country intended to assert its rights in Manchuria regardless of what other governments might do.

American susceptibilities were touched when Consul Culver B. Chamberlain, stationed at Harbin, was on Jan. 3 maltreated on a Mukden street by two Japanese soldiers and a civilian interpreter. Upon a protest by Consul Myrl S. Myers at Mukden, and representations by Minister Nelson Johnson, Ambassador Debuchi delivered to the Secretary of State an expression of his government's sincere regret at the unfortunate incident. Secretary Stimson, however, declined to regard this as closing the incident, though accepting the expression of regret as an apology, since the matter could not be settled until Consul Chamberlain's assailants had been punished.

NEW JAPANESE CABINET

The Japanese Cabinet resigned on Dec. 11 when Kenzo Adachi, the Minister of Home Affairs, declined to attend Cabinet meetings. He had sponsored the idea of a coalition Cabinet in which his own party, the Minseito, should combine with the major party in opposition, the Seiyukai. This proposal was not favored by Premier Wakatsuki. Adachi became recalcitrant and the fall of the government resulted. The large number of Minseito members in the House of Representatives owe their seats to Adachi, who, as Home Minister, was in general charge of the 1930 election. In consequence of their loyalty to him the government would have found itself in a difficult position in the Diet had it continued in office.

It was believed that behind the personal issue the cause of the resignation of the government, which won by a landslide in 1930, was the question whether the embargo should be reimposed upon the export of gold. The great Mitsui trust, consistent backer

of the Seiyukai, as well as other important corporations, desired the embargo both on general grounds and in order to liquidate profitably large holdings of gold dollars. Since removal of the embargo in January, 1930, gold to the value of $291,000,000, had been sent to the United States, much of which represented speculation looking toward the reimposition of the embargo. Foreign policy was thought to have played only a minor part in the overthrow of the Cabinet, since Baron Shidehara, as Foreign Minister, had cooperated closely with the military departments once the decision upon intervention had been taken. It is noteworthy, however, that the occupation of Chinchow did not occur until after Shidehara had left the Foreign Office.

Upon the advice of the surviving genro, Prince Saionji, Hirohito Tenno appointed Ki Inukai, President of the Seiyukai, to the position of Prime Minister. As Foreign Minister in his Cabinet he chose K. Yoshizawa, his son-in-law.

The Seiyukai holds only 171 seats in the lower house of the Diet, to the Minseito's 251. Should it desire to improve its position by holding a special election, there is little question that it could overwhelm the opposition by appeals to patriotism. Premier Inukai, a converted liberal, is past 70. Prince K. Kanin, head of one of the collateral houses of the Yamato dynasty, was appointed Chief of the General Staff of the Army.

The new government proclaimed an embargo upon the export of gold, effective on Dec. 13. As was expected, the yen reacted by dropping several points. It continued to decline throughout December, with prospects of reaching 30 cents from a par of approximately 50 cents. With warehouses stuffed with raw materials, Japanese industrialists watched the drop with equanimity, looking forward to regaining markets recently lost to Great Britain.

Premier Inukai intimated that his government would adopt most of the budget of former Finance Minister J. Inouye. The deficit was to be met by borrowing, and spending was to be substituted for retrenchment. On foreign policy Mr. Inukai was quoted as declaring that as soon as the Chinese forces retired from Chinchow "Japan will evacuate occupied points outside the South Manchuria Railway zone and peace will be restored to Manchuria." He stated that Japan would not take Manchuria as a gift, that all she desired was respect for her treaty rights.

CHINA'S NEW GOVERNMENT

In Nanking the Cantonese faction of the Kuomintang (the Nationalist party) was enabled to set up a government when, on Dec. 15, General Chiang Kai-shek resigned as president of the State Council and left for his home at Fenghua, Chekiang. His resignation was phrased to suggest that his retirement was temporary. T. V. Soong, Minister of Finance and the real brains of the government, and Wellington Koo, Foreign Minister, also retired. Lin Sen was appointed president of the State Council, with lessened powers, while Sun Fo, son of Dr. Sun Yat-sen, as chairman of the Executive Yuan, became the real head of the government. The scintillating Eugene Chen became Foreign Minister. Wang Ching-wei, popular and trusted spiritual successor of Dr. Sun Yat-sen, postponed going to Nanking, but was expected to assume the presidency of the State Council later. At Peiping Chang Hsueh-liang resigned as Vice Commander-in-Chief and also as commander of the Chinese forces in Manchuria. General Tsang Shih-yi succeeded Yuan Chin-kai as Governor of Fengtien (Liaoning) Province under Japanese auspices.

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CURRENT HISTORY

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The Japanese Offensive in China

By Harold S. Quigley
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WHAT shall the peoples of the world think of Japan? What shall students of her recent political development—manhood suffrage, popular participation in elections, success of the Cabinet in obtaining ratification of the Kellogg Pact and the London Naval treaty—answer to those who call such apparent tendencies toward liberalism mere window dressing behind which a feudal system perpetuates itself? Standing aghast before the smoking embers of Chapei, a charnel-house in which hundreds of humble toilers—men, women and children—died at the hands of Japanese bombers, artillerymen, marines and civilians while 200,000 other civilian Chinese barely escaped with their lives, the friends of Japan—and what people of the world is not friendly to Japan?—await an explanation.

Japanese consular and naval authorities at Shanghai, on Jan. 21, demanded a cessation of the Chinese boycott against Japanese goods and of other anti-Japanese activities by Chinese. Consul General K. Murai in person presented the demands to Mayor Wu Te-chen of Shanghai. At the same time Mr. Murai protested against an attack by Chinese upon five Japanese monks, which had occurred a few days previously. Rear Admiral K. Shiosawa, commander of the Japanese patrol force on the Yangtse River, supported the demands with an ultimatum, and the Japanese Government dispatched a cruiser, an aircraft carrier and a number of destroyers carrying 400 marines to reinforce the 1,200 already at Shanghai. The principal demands required the dissolution of organizations conducting the boycott.

The boycott was inaugurated privately shortly after the intervention of Japan in Manchuria as an act of reprisal. Such private means of retaliation existed in medieval Europe, and the device was found a natural one by the Chinese, because it embodied their concept of vicarious responsibility. An injury done them by a foreign person or State was to be requited by action against the person or property of fellow-countrymen or nationals. Since

the development of international law such methods fall within the jurisdiction of governments and are now well recognized as legal measures of a non-amicable character which do not amount to acts of war. Since a powerful State may retaliate by resorting to reprisals of a military character, in order to compel cessation of a boycott, official non-intercourse is a perilous procedure for weak States to attempt.

Private boycott in China, under increasingly thorough administration, with penalties imposed upon merchants who resist the orders of anti-foreign societies, has become highly effective. Figures for Japanese trade show a decrease of 36 per cent in exports to China in 1931 as compared with 1930, and it is understood that additional losses were sustained through the effects of the boycott upon shipping, manufactures within China, banking and business generally. Nevertheless Japan's exports to China in 1931 were valued at 258,000,000 yen (at par the yen is worth 49.8 cents)—nearly one-fourth of the total. Japan's total trade dropped 22 per cent in 1931.

Authorities of the International Settlement visited Admiral Shiosawa to urge that there be no independent Japanese action within the Settlement. This area is administered by a municipal council of fourteen members, nine chosen by foreign taxpayers, five by Chinese and two by Japanese. The consular body at Shanghai has titular supervision over the council. Agreements dating back to the middle of last century, between the British Consul and the local Chinese authority, form the basis of foreign rights, but foreign jurisdiction, like Uncle Tom's Topsy, has "just growed." Landowners—that is, foreign owners of perpetual leaseholds—register their title deeds at the consulates of their respective countries. Legal actions are heard in extraterritorial and Chinese courts. The Settlement today has an area of 5,584 acres and a population of approximately 1,000,000. Of these 970,000 are Chinese, 30,000 Japanese, 1,200 Americans, 4,600 British and 3,000 Russians. Architecturally it is a mingling of European and Chinese buildings, with well-paved and lighted streets, excellent systems of transportation, first-class foreign hotels, large parks and athletic grounds—in short all the features of large foreign cities. Moreover it is a centre for Chinese as well as foreign bankers.

A second area of foreign residence and administration exists at Shanghai, the so-called French Concession. Administration there is wholly in French hands, but extraterritorial rights prevail as in the Settlement. The Concession is 2,525 acres in area and has a population of 435,000, of whom 420,000 are Chinese, 1,200 French, 1,600 American, 2,300 British and 4,000 Russian. More largely residential than the Settlement the Concession is marked by the same evidences of foreign development.

The rest of Shanghai, known as the Greater Municipality of Shanghai, is governed by the Chinese. The authority resides in a Mayor, who is appointed by the central government. Within the municipality are three large wards or boroughs, two of them —Chapei and Nantao—on the north bank of the Whangpoo, the third—Pootung—on the opposite bank. Nantao and Chapei form a half-moon around the Settlement and Concession, Chapei being so located as to constitute a wedge in the north side of the Settlement. The population of the municipality totals 1,700,000, of whom all but 10,000 are Chinese. In the municipality 7,000 Japanese have had their residences.

The American Consul General, Edwin S. Cunningham, senior consular officer at Shanghai, reported to the Department of State toward the end of January that Admiral Shiosawa had agreed to take no action within

the International Settlement without first consulting the Settlement authorities. On Jan. 23 it was reported that the Anti-Japanese Boycott Association had closed down its headquarters and ceased operations. On that day the Japanese Consul at Nanking presented his government's demands at the Ministry of Foreign Affairs; they included a claim for redress because of insulting remarks about the Japanese Emperor in a certain Chinese newspaper at Shanghai. Tremendous excitement was aroused among the Chinese of Shanghai and Nanking by the ultimatum, and immediately preparations for defense were begun. Chinese merchants urged officials to accede to the demands, while Eugene Chen, Foreign Minister, resigned when the government rejected his proposals for a drastic policy. He was succeeded by Lo Wen-kan, a former member of Peiping Cabinets. Sun Fo gave way as Premier to Wang Ching-wei and T. V. Soong returned to the Ministry of Finance. General Chiang Kai-shek also returned to the government, acting through the chairmanship of the Kuomintang (National party).

SCENE OF TROUBLE IN THE FAR EAST

From the outset Secretary of State Stimson maintained that the Japanese ultimatum had produced a serious situation. In London the government, recalling similar British action in similar circumstances in 1927, was inclined at first to sympathize with Japan. The tendency of French opinion was to counsel caution.

True to form, the Chinese authorities took their own time in replying. On Jan. 26 Consul General Murai of Japan asked for new instructions, and the Navy Ministry sent another cruiser and twelve more destroyers to Shanghai, bringing the total Japanese force there to four cruisers, seventeen destroyers and a gunboat. Next day, at 8 P. M., a twenty-two-hour ultimatum was sent to Mayor Wu, which caused the Council of the Settlement to declare a state of emergency and to call out the Volunteers, an organization of local men. Foreign defense forces prepared to assist the police and Volunteers in safeguarding the Settlement. The American forces numbered 1,212, the British 2,270.

China's reply to the second ultimatum was due at 6 P. M. on Jan. 28. On that day Secretary Stimson announced that he had asked Japan to make known her intentions at Shanghai. From Manila four destroyers were

sent by Admiral Montgomery Taylor, commander of the American Asiatic fleet, to join the destroyers Truxton and Boris at Shanghai.

At 2 P. M. on Jan. 28 Mayor Wu's secretary delivered to Mr. Murai a reply which acquiesced in every demand of the Japanese. This decision took great courage since there was considerable agitation against it. Acting apparently upon his authority as a naval officer, Admiral Shiosawa decided to occupy the borough of Chapei in spite of the Mayor's acceptance of the Japanese demands. At 8:30 P. M. Shiosawa issued the following statement:

> General restlessness prevails in and outside the International Settlement of Shanghai and there are signs that the situation is being further aggravated. In view of this state of affairs the Municipal Council proclaimed a state of emergency and the military and naval forces of the various countries have respectively taken their positions for the defense of the Settlement.
>
> The Imperial Japanese Navy, feeling extreme anxiety about the situation in Chapei, where Japanese nationals reside in large numbers, has decided to dispatch troops to this section for the enforcement of law and order. *In these circumstances, I earnestly hope the Chinese authorities will speedily withdraw all troops now stationed in Chapei and remove all hostile defenses in that area.* (Italics mine.)

In fairness to Shiosawa's humanity it must be assumed that he expected the Chinese to yield to his demand that they evacuate their troops from their own part of the city. But it would seem that a high naval officer should have understood the spirit of the Chinese soldiers in Chapei better than Shiosawa appears to have. When, moreover, the Japanese sought to move into Chapei they did so with 2,000 marines at midnight on Jan. 28 and with the accompaniment of bombing planes. They used the International Settlement as a base from which to advance and failed to warn the Settlement authorities of their plans. The Chinese troops, veterans of the Nineteenth Route Army from Canton, used sniping tactics and fought so tenaciously that after twenty-two hours the Japanese consented to a truce, with Chapei still in Chinese hands. At the end of two weeks of almost continuous fighting, the Chinese remained in possession of that area.

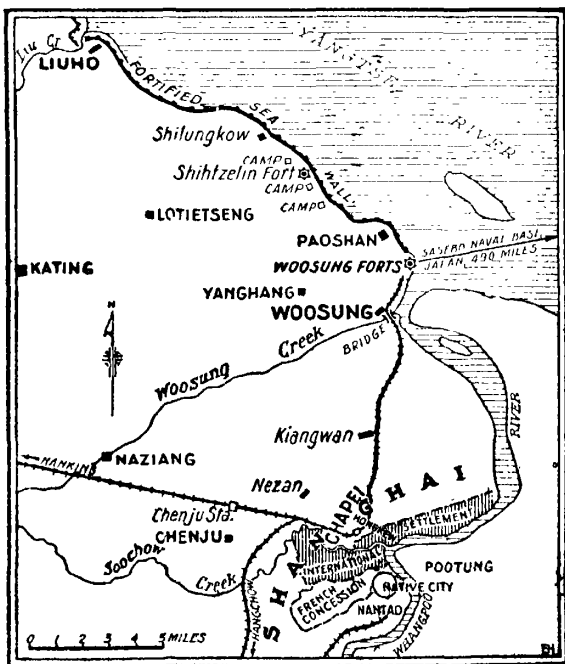
But it was a different Chapei. What had been a city became a scene of desolation. International law and ordinary human morals were forgotten as "peace" tactics—war was not declared—brought heavier disaster to the closely packed Chinese inhabitants than was experienced during the World War by the civilian victims of German bombing expeditions. Father Jacquinot, a French priest, led a relief party to bring out survivors during a truce on Feb. 11. The party searched for four hours and rescued 3,000 men, women and children.

The protests, however, were directed not at Japan's invasion of Chinese territorial and administrative integrity, but at the effects of her acts in relation to foreign rights. On Jan. 27, before the bombardment, Secretary Stimson, after consulting with Sir Ronald Lindsay, the British Ambassador in Washington, informed Japan that, in view of the efficient police and other sources of protection already available, there should be no military occupation of the Settlement by Japan unless the municipal force became clearly inadequate to protect life and property. The British Government made similar suggestions. Japan's reply to both was that international rights and interests in Shanghai would not be interfered with.

The Settlement authorities indicated their opinion of that reply when, on Jan. 30, they lodged a protest with Consul General Cunningham charging Japanese naval officials with violating the neutrality of the Settlement "continuously." This view was in contrast with that of Sterling Fessenden, the American Director General of the Settlement Council, who stated on Feb. 1 that "since the Municipal Council of the International

Settlement draws authority only by agreement of the foreign powers, of which Japan is one, talk of the neutrality of the Settlement is not based on facts, however distasteful this situation." If the latter view be correct, the protesting nations were thrown back upon treaty rights protective of life and property and upon general rules of international law as the bases of protests.

President Hoover, at the end of January, after conferences with the State, War and Navy Departments, ordered the Thirty-first Regiment—about 1,000 men—and 600 additional marines from Manila to Shanghai. The new 10,000-ton cruiser Houston, with Admiral Taylor aboard, and seven destroyers reached Shanghai early in February. They increased the number of American naval craft at Shanghai and in the Yangtsze to twenty-six. On the previous day the British Ambassador at Tokyo protested against the use of the Settlement as a base of attack and called attention to the danger to which British lives and interests were exposed by the Japanese operations. The American Ambassador also protested. Additional British, French and Italian cruisers and destroyers, meanwhile, were dispatched to Shanghai. The Shanghai newspapers have agreed unanimously that a terrific blow has been struck at foreign business interests. Civilians have been called to man the Settlement boundaries, centrally located streets have been made perilous by snipers or blockaded by refugees or Japanese marines, bombing planes have flown over the Settlement and shells have fallen within its sections abutting upon Chapei. Food supplies for a time ran low, but, later, means were found to replenish them. Enormous fires were started by bombs or deliberate arson, some of them endangering Settlement buildings. Foreigners as well as Chinese suffered from the total destruction of the great North Station and the great Commercial Press, China's most efficient manufacturing institution, which was noted for the humanitarian treatment of its employes and its enlightened publication policy. With it was destroyed a magnificent library of Oriental books and source material. Mission buildings of the Methodist and Presbyterian Churches were entered by Japanese marines, servants were terrorized and furniture damaged. For a week the Chinese banks in the Settlement, large and small, through which foreigners do a large business in exchange, remained closed. Street car and bus services were interrupted.

Japanese marines on the night of

SHANGHAI AND ENVIRONS

Jan. 30 ousted the established authorities from virtually all parts of the Settlement east of and down river from Soochow Creek. This section contains the Astor House Hotel, the postoffice, the buildings of the Japanese, Russian and German Consulates and the main docks. Large Japanese cotton mills and the majority of Shanghai Japanese are there. Occupation by the Japanese made the area a legitimate object of attack by the Chinese defenders of Chapei and greatly increased the danger to the rest of the Settlement, besides causing the evacuation and untold distress of thousands of Chinese inhabitants.

Foreign Minister K. Yoshizawa of Japan, learning that the Chinese Government had ordered large reinforcements and airplanes to Shanghai, invited the American, British and French Ambassadors in Tokyo on Jan. 31 to use their influence to have the Chinese troops retire beyond a neutral zone. He stated that there could be no solution of the fighting unless the Chinese retired. On the following day the representatives of France and Italy associated themselves with those of Great Britain and the United States in a vigorous protest against Japanese action affecting the Settlement. On Feb. 2 the four powers presented to Japan and China joint proposals stating that both China and Japan had asked for "good offices." These proposals were:

1. Cessation of all acts of violence on both sides forthwith on the following terms:

2. No further mobilization or preparation whatever for further hostilities between the two nations.

3. Withdrawal of both Japanese and Chinese combatants from all points of mutual contact in the Shanghai area.

4. Protection of the International Settlement by the establishment of neutral zones to divide the combatants; these zones to be policed by neutrals; the arrangements to be set up by the consular authorities.

5. Upon acceptance of these conditions prompt advances to be made in negotiations to settle all outstanding controversies between the two nations in the spirit of the Pact of Paris and the resolution of the League of Nations of Dec. 9, without prior demand or reservation and with the aid of neutral observers or participants.

While these overtures were in progress the Council of the League of Nations at Geneva considered the Shanghai situation. On Jan. 29 Dr. W. W. Yen, Chinese Minister to the United States and representative at the League in succession to Dr. Alfred Sze, invoked Articles X and XVI of the covenant. Under Article X the members of the League agree to respect and preserve each other's territory and independence; under Article XVI they agree to take action against a member which makes war upon another member, by employing economic and other sanctions. The Council had previously decided to make a statement on the situation in Manchuria and at Shanghai similar to Secretary Stimson's of Jan. 7 on Manchuria.

After the Japanese attack on Chapei, however, the Council took up the Shanghai problem under Article XV of the covenant, by which the Council is authorized to seek a settlement of disputes "likely to lead to a rupture" and to make a report, either unanimously or by majority vote, if it fails to effect a settlement. If its report is unanimous, save for the votes of the parties to the dispute, "the members of the League agree that they will not go to war with any party to the dispute which complies with the recommendations of the report." Failure to secure such a degree of unanimity leaves all members free to "take such action as they consider necessary for the maintenance of right and justice."

The Japanese representative, N. Sato, challenged the right of China and of the Council to take such action, and issued a warning that in assuming such responsibilities the Council might compromise world peace. Undeterred, the Council authorized Sir Eric Drummond, the Secretary General of the League, to seek

the information necessary for further action by forming a committee of diplomats from among those present in Shanghai when the Japanese landed. Delegates from Great Britain, France, Italy, Germany, Spain and Norway announced the acceptance by their respective governments of the commission. The United States also was invited to participate in the fact-finding. Secretary Stimson agreed to cooperate through a Shanghai representative, but declined to appoint an official as a member of the committee, since that group would be acting under the covenant of the League. On Feb. 2 the Council voted unanimously to associate its authority with the steps that had been taken by different countries for the pacific settlement of matters at issue between Japan and China. Observers at the Council session smiled when Mr. Sato expressed satisfaction over the action of the powers against "the Chinese aggressor." The United States added weight to its association with the League Council on the Far Eastern crisis by appointing as its liaison officer Hugh Wilson, Minister to Switzerland.

China accepted the peace proposals of the four powers with alacrity, but Japan, while accepting three of the proposals with qualifications, rejected the other two completely. Her reply was as follows:

1. The Japanese forces will cease hostile acts if they are assured that the Chinese forces will immediately and completely stop their disturbing and menacing activities. If, on the contrary, the Chinese (including both regular and plain-clothes soldiers) persist in such activities, the Japanese Government must reserve full freedom of action for its military forces.

2. In view of the unreliability of the Chinese in the past and of the gravity of the present situation, the Japanese Government finds it impossible to renounce mobilization or preparations for hostilities.

3 and 4. The Japanese Government has no objection to its Consul General and Commander entering into negotiations for an agreement concerning the separation of the respective forces and the establishment, if necessary, of a neutral zone in the district of Chapei.

5. While it is to be presumed that "all outstanding controversies" between Japan and China include the Manchurian question, the Japanese Government regards this latter as entirely a separate question from the Shanghai affair, and, moreover, it is covered by the League resolution of Dec. 10. Furthermore, it is the settled policy of the Japanese Government not to accept the assistance of neutral observers or participants in settlement of the question concerning Manchuria. For these reasons the conditions in Paragraph 5 of the powers' note are not acceptable to the Japanese Government.

On the day the reply was published, Feb. 4, Foreign Minister Yoshizawa explained that "the Japanese Government draws a clear distinction between the present disturbances in Shanghai and the dispute in Manchuria, and unless the difference is recognized our policy is liable to be misunderstood. In Manchuria Japan's interests are of paramount importance economically, and our position there is a matter of life and death. In Shanghai, on the other hand, our interests are similar to those of other foreign powers. We only desire to trade peacefully and to secure the safety of our nationals and their legitimate enterprises. We have no territorial or political ambitions." His statement, in addition to the suggestion in the last words, that Japan *has* territorial or political ambitions in Manchuria, hitherto denied, overlooked the obvious fact that the boycott arose out of Japan's actions in Manchuria, and presumably will only be ended when the Manchurian issue is settled. The problem has two parts, but it is a single problem.

Japan's reply was not regarded as completely closing the door to an agreement. An encouraging sign was noted in the beginning of private protests against action likely to involve Japan in hostilities with other powers. Baron Shidehara, formerly Foreign Minister, and H. Motoyama, publisher of the *Nichi Nichi*, have voiced warnings, while a large mass meeting of

students of Tokyo Imperial University recently urged the government to desist from "imperialistic war." Meanwhile, the economic pinch has forced the sugar mills at Osaka to close.

Nevertheless, a decision taken early in February by the Japanese Government to send two divisions of regular troops to Shanghai was not canceled. On Feb. 4 operations by naval vessels, aircraft and marines began at Woosung, a few miles north of Shanghai, for the purpose of taking the strong forts at the entrance to the Whangpoo River. Three days later the first contingents of regulars arrived and joined in the attack on the forts. Apparently later units were quartered in the International Settlement. The forts' guns were silenced, but the defenders were holding out with rifles and machine guns. On Feb. 12 doubt was expressed in foreign capitals as to the total force of Japan in the Shanghai area, the general view being that it was larger than published figures would indicate. The apprehension was strong that occupation of the entire Yangtze Valley was impending.

This apprehension was strengthened by Japan's naval operations at Nanking. On Feb. 1 one of her cruisers threw shells into the walled city—where several hundred foreigners, including 180 Americans, were living. During the bombardment Japanese bluejackets were landed. The Japanese cruiser fired over the American destroyer Simpson, which moved out of the line of fire. American authorities on Feb. 6 warned all American women and children and all men not engaged in essential occupations to evacuate, and over 100 Americans left.

Previously, about Feb. 1, the Chinese capital was moved to Loyang (Honanfu), out of reach of warships. It was reported that a remarkable degree of cooperation had been achieved, with Generals Feng Yu-hsiang, Chang Hsiao-liang (as Chang Hsueh-liang's name is now to be spelled), and Wu Pei-fu uniting for common action to protect the country. At Shanghai on Feb. 1 a special emergency committee on national defense was formed, including thirty members of the Kuomintang, among them Eugene Chen and H. H. Kung. Once more T. V. Soong was the central figure in the government as Minister of Finance.

Japan countered the various peace proposals of the powers by intimating on Feb. 8 that she desired the calling of a conference to settle the Shanghai issue and that she would there propose that China's leading port cities—Shanghai, Canton, Hankow, Tientsin and Tsingtao—be demilitarized and surrounded by neutral zones from fifteen to twenty miles wide. These zones were to be guaranteed by the foreign powers. Within these areas extraterritoriality would be retained, although abolished in other parts of China. Japan was understood to believe that the Nine-Power treaty, signed at Washington ten years ago, had been tested and found unsuited to Chinese conditions and that it should be replaced by a treaty in which the principle of respect for China's territorial and administrative integrity should be repudiated. Manchuria was not to be included in the scheme but was to be handled by Japan alone. Reports indicated that these suggestions were not viewed favorably in Washington.

America's Stake in the Philippines

I—Strategic Position in the Far East

By Roy Veatch

[The writer of this article is at present engaged in the preparation of a book dealing comprehensively with the economic position of the Philippine Islands.]

THE crisis caused by Japanese military operations in Manchuria and at Shanghai has called attention with renewed emphasis to the strategic position of the Philippine Islands. The only possession of the United States in the Far East, the Philippines have been regarded always as a valuable commercial and military base, a powerful adjunct to American trade and diplomacy in that region, especially in relation to China.

When the Philippine Islands "fell in the lap" of the United States as a result of the war with Spain, American statesmen were not displeased, for the long-expected break-up of China seemed imminent. Only a few months earlier, in late 1897 and early 1898, the Germans, Russians, British and French had taken advantage of China's weakness and their own rivalry to secure naval bases on China's coast and spheres of interest in the interior. Their exclusive claims threatened America's flourishing trade in those regions. Already the rapid industrialization of the United States and the exhaustion of desirable public lands open for settlement had stimulated greater interest in foreign trade, especially in the "limitless possibilities" of Asiatic markets. Plans were well advanced for the construction of a trans-oceanic canal, exclusively under American control, designed to increase American commercial and naval importance in the Pacific.

Although the American public was hardly aware of the existence of the Philippines, the outbreak of the Spanish War found the Asiatic squadron of the navy ready and waiting, and the first blow was struck at Manila. If Admiral Dewey, at first, assumed that the United States would not wish to undertake the burdens of colonial government, he at least believed it desirable to secure a naval base and harbor, and recommended Manila Bay as the most desirable location. President McKinley never hesitated about the harbor, and his final decision to take the whole archipelago has been ascribed by some responsible scholars chiefly to the expectation that the United States would strengthen its influence in the settlement of affairs in China.

British statesmen were in every way as anxious as Americans to have the United States in the Philippines. Facing, without an ally, the aggressive policies of Russia, Germany and France in regard to China, they welcomed the advent of the United States as a Far Eastern power, and during the anxious days in Manila Bay, when the German naval squadron flaunted Dewey's blockade regulations, it was the British, and the British alone, that supported the Americans and possibly prevented a disastrous international struggle then and there over Far Eastern spoils.

When American sovereignty over the Philippines was established by the treaty of peace with Spain, Secretary of State John Hay moved forward boldly in 1899 and 1900 to commit the powers to a policy of the open door

for commercial and economic opportunity throughout China. And when the Boxers rose in 1900, ships and troops were rushed from the Philippines, enabling the United States to play a prominent part in the expedition to relieve the beleagured foreign legations in Peking.

Although during and immediately after the war with Spain there had been much talk of an Anglo-American alliance, it did not materialize. Consequently, as a defensive measure against the Russian and German menace in the Far East, the Anglo-Japanese alliance was formed in 1902. The United States, however, was not excluded as a powerful factor in the situation. President Roosevelt, for example, was able to bring such pressure to bear on the Japanese and the Russians as to end their war in 1905 and to lead them to sign a treaty of peace at Portsmouth, N. H., which left Japan with only a limited control of Manchuria.

Japan learned rapidly from the older imperial nations and soon became the most aggressive power in the Far East. Having assumed complete sovereignty over Korea in 1910, she took advantage of Europe's absorption in the World War and the troubles of the United States in Mexico and on the Atlantic to present her famous Twenty-one Demands to China in 1915. China was forced to comply, granting extensive rights of control and exploitation in Shantung, Manchuria and Mongolia.

The Japanese peace of mind, however, was soon disturbed by a series of moves on the part of the United States. The largest naval building program the world had ever seen was inaugurated in 1916. Ostensibly inspired by the German menace, it was adhered to when Germany was defeated in 1918. After the war a great American fleet was moved into the Pacific and work was begun on new fortifications and naval bases on the Pacific Coast and in Hawaii. In 1919 the Navy Department recommended the construction of a first class naval base in Guam and of a second class base at Cavite, in the Philippine Islands. At the same time American opinion became intensely anti-Japanese because of the Twenty-one Demands and of immigration and labor troubles in California. In fact, the rejection of the Treaty of Versailles by the United States Senate can be explained in part as due to the transfer to Japan of Germany's former rights in Shantung, one of China's richest provinces.

Japan, on the other hand, countered by adopting a huge naval building program and by commencing the fortification of naval bases in her outlying possessions nearest Guam and the Philippines. There was widespread talk of a war in the Pacific.

But the forces of peace came into play when President Harding called the Conference for the Limitation of Armament to meet in Washington in 1921. Since it was generally recognized that Japanese-American rivalry in the Pacific was behind the ruinous naval competition which was endangering the peace of the world, the conference directed its attention chiefly to the problems of the Far East.

In opening the Washington conference, Secretary of State Hughes made an unexpected offer to scrap the whole of the American building program of capital ships on which $350,000,000 already had been expended. Japan, in turn, was to cancel her program and to accept a ratio of battleship strength with the United States of 3 to 5. In addition strong pressure was brought upon Japan to end her long-standing alliance with Great Britain and to relinquish her recent gains in China.

Japan would not accept such a ratio of naval inferiority unless she were guaranteed security in her own waters. Her own formula went to the heart of the problem with a demand that naval bases should not be developed in Guam and the Philippines. On

this question hung the fate of the conference. The United States yielded finally and joined with Great Britain and Japan in an agreement (Article XIX of the naval treaty) to maintain the status quo as regards the fortification of naval bases in all the outlying possessions of these powers in the Pacific. This settled, Japan yielded on nearly every other point.

Most naval men in the United States were outspoken in their condemnation of the government's policy of "scuttling" the naval building program and of relinquishing the power of absolute command of the seas. But their most vehement attack on the treaty was directed at the surrender of the right to fortify the Philippines and Guam, which to them was a disastrous anticlimax to the policy they had assisted in developing with such energy and consistency since the Spanish War.

Captain Dudley W. Knox, U. S. N. (retired), says in his book, *The Eclipse of American Sea Power:* "Without adequate bases at Guam and the Philippines, to serve the American fleet, these extensive and populous islands are virtually defenseless." In an address before the American Society of International Law in 1922, Rear Admiral Harry S. Knapp, U. S. N. (retired), said: "The United States has yielded the possibility of naval equality in this region. * * * Our military prestige has received a blow; and with the waning of military prestige political prestige wanes also. The treaty may very well mark the beginning of a decreased influence in the Far East, with attendant loss to our proper, if selfish, trade interests, and to our altruistic purpose for China and Siberia."

The present Chief of Naval Operations, Rear Admiral W. V. Pratt, U. S. N., was the expert naval assistant to the American Commissioners at the Washington Conference. Although a friend of the treaty, he admitted that "the active defense of our Philippine possessions, if such ever becomes a necessity, must now rest entirely upon the back of our floating naval establishment, geographically placed many thousands of miles away."

In other words, the Philippines could not be defended in case of war with Japan, and it is well understood that the navy would abandon them, expecting the first blow to be struck there. They are a liability, not an asset, in time of war in the Pacific. It should be noted, however, that this was not a condition created by the Washington treaties, for the United States has never had a fortified base in the islands. Furthermore, it is by no means a foregone conclusion that Congress would have appropriated the funds for the fortifications recommended by the Navy Department, particularly in the absence of any definite policy regarding the future status of the Philippines.

There are a number of other claims for the importance of the Philippines as an American outpost in the Orient which can be stated briefly.

In peace times the Asiatic fleet is based on Manila and a small force of the regular army is stationed in the Philippines, so that in case of emergency, as recently at Shanghai, both land and naval forces are quickly available.

In 1898 there were high expectations that Manila would prove the key to the Oriental market. Although these hopes have not been so far fulfilled, with re-exports of American goods to the Orient seldom exceeding $250,000 in value in any one year, many Americans are convinced that our Oriental trade has profited materially from the prestige which a large Asiatic possession has brought us in that market.

A great many people, especially the "old hands" of the Orient, believe the United States would not only antagonize the European powers holding colonies in the Orient if she granted independence to the Philippines, but

that she would lose "face" with Asiatic peoples and would have much difficulty in maintaining her position in that part of the world.

Finally, there is the fear that the removal of the American flag from the Philippines would upset the precariously balanced political and military situation in the Pacific, possibly leading to a new world war. This opinion is based partly upon the belief that Japan or some other nation would attempt to seize the Philippines once American protection was withdrawn. The stock reply to this argument, as far as it concerns Japanese designs in the Philippines, has always been that the Japanese could not stand the climate and have no desire to go there. In the last few years, however, a small Japanese hemp colony has been successfully established in that part of the archipelago nearest the Equator, and those who fear the Japanese have used this development as a warning against American withdrawal. They also call attention to the fact that probably the best iron ore deposits in the Far East are in the Philippines and that Japan's own sources of supply of this metal are inadequate.

For the Filipinos it has been urged that, if independent, they would be at the mercy of aggressive powers because they have now no national defense force and would not have sufficient economic and financial strength to establish an adequate one. But Filipinos reply that it has been at no time the policy of the United States to defend them and that they are almost certain to be involved, and attacked, in any war in which the United States might engage in the Pacific.

During the early years of American sovereignty in the Philippines the Filipino demands for independence were usually accompanied by a request for an American protectorate, to guard the new government from interference by other powers. Since the World War, however, they have demanded "complete and absolute independence" and have declared their willingness to rely for protection upon international agreements, membership in the League of Nations and the "new world order" inaugurated by Woodrow Wilson's policies of peace and self-determination of peoples. It is to be expected, therefore, that advocates of independence for the Philippines will follow the present developments in Manchuria and Shanghai with considerable anxiety.

II—If the Islands Were Independent

By RAYMOND LESLIE BUELL

Research Director, Foreign Policy Association

NOT only does the crisis in the Far East precipitated by Japanese action in Manchuria and at Shanghai appear to bring a new complication into the problem of the Philippines, but recent events more directly affecting the islands and the United States mark the beginning of what might well be a new and decisive chapter in the history of their relations with us. A week before Dwight F. Davis, after about two years of service, resigned on Jan. 9 as Governor General—being succeeded by Theodore Roosevelt Jr., Governor of Porto Rico—there arrived in the United States another Philippine Independence Mission to demand once more that Congress grant the independence promised by our Presidents ever since the close of the Spanish-American War.

Leaving aside considerations of the effect of Japanese aggression in China

on the mind of Congress, we can be certain that if the question of Philippine independence were to come to a vote there would now be a majority in its favor in both the House and the Senate. In addition to Congressmen who believe in independence as a matter of principle, many Representatives from agricultural States, including those on the Pacific Coast, would grant independence as a means of excluding Filipino immigrants and products from our shores. Several years ago American farmers demanded the imposition of a tariff upon Filipino products; the agitation failed because the Philippines are under the American flag. As a result these same agricultural interests now support complete independence, since once the islands are free, their goods will be subject to American duties.

Further support for independence has arisen during the last two years as a result of anti-Filipino riots in California. At present Filipinos may enter Hawaii and the continental United States without restriction, and it is estimated there are already about 45,000 Filipinos in this country. Some Californians today regard Filipinos with much the same fear that was once aroused by Chinese and Japanese immigrants. This anti-Filipino sentiment has gained the adherence of many Pacific Coast Congressmen to the cause of independence, because it would be possible to exclude immigrants from a Philippines republic.

The grant of independence to the Philippines hinges less upon Filipino political capacity or ability to resist external aggression than upon the question of economic independence. Although the aim of the administrative and educational policy of the United States in the islands has been to stimulate self-government, the economic policy dictated by Washington has made the Philippines artificially dependent upon the United States. Had a system of non-discriminatory tariffs been established levying equal duties upon all imports, regardless of origin, a vigorous foreign trade would have developed with Japan, China, Indo-China and the Dutch East Indies. But, despite the protest of the Philippine Assembly, the American Congress many years ago inaugurated free trade between the Philippines and the United States. At the same time exorbitânt duties have obstructed trade with foreign countries, such as China or Japan. Thus the economy of the islands has become dependent upon the American market, located 7,000 miles away, and immediate independence by abruptly closing this market would jeopardize the economic and financial existence of the islands.

Until November, 1931, every political leader and party of importance in the Philippines was unanimous in the demand for immediate and complete independence. But on Nov. 9 Manuel Quezon, president of the Philippine Senate and leader of the Nationalist-Consolidado party, which has a majority in the Legislature, presented a twenty-six-page memorial to the Legislature. He stated frankly that, in view of the economic issues involved, the Philippines should substitute a demand for gradual independence instead of the traditional agitation for absolute and immediate independence. He proposed two alternatives:

(1) Immediate establishment of an independent government, with free trade between America and the Philippines for a period of ten years, limiting the amount of sugar entering the United States free of duty to 1,000,000 tons and of oil to the amount that is exported at present, and with restriction of laborers going to the United States.

(2) Immediate establishment of an autonomous government with all the consequent powers, including that of enacting measures considered necessary to meet the responsibilities of an independent government, when independence is granted, with the restrictions necessary to safeguard the rights of sovereignty of the United States in the Philippines. For a period of ten years the trade relations between the United States and the Philippines and the labor immigration into the United States would be governed as stated in the first

plan. At the end of ten years absolute independence of the Philippines to be granted or the Filipino people to decide through a plebiscite whether they desire to continue with this kind of government or prefer to have one that is absolutely independent.

If the American Congress should refuse to accept either of these alternatives, Senator Quezon declared, the Filipino people should then demand independence at all costs.

The frank recognition that the commercial policy of the United States made necessary a period of economic readjustment before complete independence at first caused consternation in Manila political circles. The Democratic party, the Philippine Anti-Imperialistic League and as outstanding a figure as General Aguinaldo denounced Senator Quezon. Nevertheless, when the Philippine Independence Mission, headed by Sergio Osmena, reached Washington on Jan. 2, 1932, it declared that its object was "early" independence—not "immediate, absolute and complete."

Senator Quezon's plan for a transitional period leading to independence parallels in certain respects the Hawes-Cutting bill adopted 'y the Senate Insular Affairs Committee in the Summer of 1930—a bill providing for independence after five years. Probably a bill modeled along these lines and embodying Quezon's second alternative will be considered in Congress. Whether such a bill, if adopted, would receive a Presidential veto is by no means certain. Following the visit of a number of American Congressmen and Senators to the islands last Summer, Secretary of War Hurley spent September investigating on the spot the problem of independence. Although Mr. Hurley's report was not published, President Hoover issued a statement on Oct. 27, 1931, which declared in part:

Independence of the Philippines at some time has been directly or indirectly promised by every President and by the Congress. In accord with those undertakings, the problem is one of time. In the interest of the Philippine people, the time element involves the necessity that independence must be assured of durability and the government of the Philippines must be assured of stability. For instance, the economic independence of the Philippines must be attained before political independence can be successful. Independence tomorrow without economic stability would result in the collapse of Philippine Government revenues and in the collapse of all economic life in the islands. We propose to give further consideration to the whole question during the immediate future.

In order to determine whether or not the Filipinos are ready for self-government once the economic problem is solved, it may be useful to describe the extent to which they already participate in the local administration. At the present time the officials of all the 865 municipalities in the islands are Filipinos. Each municipality has an elective council, and the president of the council fills all non-elective positions, with the consent of the majority of the council, except in the case of the municipal treasurer, teachers and justices of the peace, who are appointed by central or provincial authorities.

The Philippines are also divided into forty regular provinces and nine specially organized, or non-Christian, provinces. The officials in the regular provinces are all Filipinos, but a number of provincial officers, such as the provincial treasurer, are appointed by the central government at Manila. All officials in the municipalities and regular provinces are responsible to the Executive Bureau of the Department of the Interior. This bureau supervises generally the activities of local officials; in 1924, for example, it heard complaints against sixty-five elective municipal officials and removed eight.

A special problem has been created by the 1,000,000 non-Christian peoples, about half of whom are Moros, inhabiting Mindanao and Sulu. The non-Christians are divided into nine specially organized provinces and are under the jurisdiction of the Bureau

of Non-Christian Tribes in the Department of the Interior at Manila. The policy of the government is gradually to assimilate these provinces to the remainder of the country, but many observers believe this policy has been applied too drastically.

Because many officials in the municipal and provincial governments are appointed from Manila and the whole system of local government is under the immediate inspection of the Secretary of the Interior, actual self-government in the Philippines depends upon the extent to which Filipinos control the central government. At the head of this government is a Governor General, appointed by the President of the United States with the advice and consent of the Senate. He is assisted by a Vice Governor, similarly appointed, who acts as head of the Department of Public Instruction, which includes the Bureaus of Education and Health. The third, and not the least important, official appointed by the President of the United States is the Auditor. This official examines and settles all accounts pertaining to revenues and receipts. The United States also controls the Supreme Court, whose nine justices are appointed by the President of the United States with the consent of the Senate. Four justices at present are Filipinos.

Under the Governor General are six executive departments; all, with the exception of the Department of Public Instruction, are headed by Filipinos. Elected Filipinos also dominate the Senate and the House of Representatives. The Filipino Legislature enjoys general legislative powers, including, subject to certain restrictions, the appropriation of money. Moreover, appointments by the Governor General must receive the approval of the Senate. Thus, through its legislative power and the control of appointments, the Filipino Legislature can easily bring about deadlocks with the Governor General.

Whether these deadlocks occur depends largely upon the view of the Jones act—the 1916 law upon which the present government rests—held by the Governor General. Francis Burton Harrison, who was Governor General from 1913 to 1921, followed a policy which gave the Filipinos virtually responsible government. He selected Filipinos from the successful party in the elections as Cabinet heads. He established a Council of State, containing the six department heads and the political leaders, which advised him on problems of administration. Governor General Harrison also supplanted many American officials by Filipinos. As a result of this system of autonomy cordial relations between the United States and the Filipino leaders were maintained. Material and social progress was likewise made. Nevertheless, the Wood-Forbes Commission, sent to investigate the Philippines by President Harding in 1921, criticized the Harrison régime on the ground that it had led to deterioration of the public services. General Leonard Wood, the next Governor, reversed the Harrison policy and returned to a strict interpretation of the Jones act. When he refused to consult the Filipino Legislature in regard to administration the Filipino Cabinet, in 1923, resigned. A deadlock resulted, which continued until after Governor General Wood's death in August, 1927.

Colonel Henry L. Stimson, who succeeded General Wood, served in the islands only one year, when he left to become Secretary of State in the Hoover Cabinet. During this period the Harrison policy was revived to a certain extent. Department heads were chosen from members of the party successful at the last election, the Council of State was resuscitated while the Governor General declared that, except in serious matters, he would not interfere with the administration of departmental affairs entrusted to Filipinos. Nevertheless, Colonel Stimson induced the Legisla-

ture to pass the so-called Belo act, making a standing appropriation for the employment by the Governor General of a number of American inspectors to advise him in administrative problems.

At present about 20,000 Filipinos and only 503 Americans are in the civil service. Three-fifths of the Americans are employed as teachers in the schools. Five out of six department heads are Filipinos. On the other hand, the Governor General, the Vice Governor, the Auditor, the chief of the constabulary and about six out of the thirty government bureau heads are Americans. The vast majority of government officials at present are subject to control by the courts. While all the 800 justices of the peace and all but two of the fifty-five judges of the courts of first instance are Filipinos, the Supreme Court is composed of a majority of Americans. A second check is exercised by the Governor General and the other executive officials appointed by the President, together with the inspectors appointed under the Belo act.

Filipinos assert that the United States has repeatedly promised independence. Presidents Taft, Roosevelt and Wilson encouraged the Filipinos in their national aspirations, and the American Congress provided in a preamble to the Jones act of 1916 that it was the purpose of the people of the United States "to withdraw their sovereignty over the Philippine Islands and to recognize their independence as soon as a stable government can be established therein." Finally, the Filipinos urge that they are able to support a stable government. The racial and linguistic differences among the Filipinos are no greater, it is maintained, than such differences in Egypt, Iraq, Switzerland or Yugoslavia. The proportion of literacy—only 50 per cent—is higher than in independent nations like China, Colombia, Mexico, Brazil, Portugal, Russia and Siam. Despite Japanese aggression on the Asiatic mainland, Filipinos do not believe that the problem of defending themselves against attack, once independent, will be difficult. They expect the Philippines to become a member of the League of Nations, and some of them urge a neutralization pact with the United States, Japan, Russia, China and other powers.

Since the passage of the Jones act in 1916 colored peoples in many parts of the world have received their freedom or at least a large measure of self-government. Thus, Egypt today has virtually thrown off outside control over its administration; India has been promised a measure of self-government considerably greater than that enjoyed by the Philippines. Great Britain has announced its determination to surrender its mandate over Iraq and to support the application of this State for membership in the League of Nations. It seems probable that France will take similar steps to relinqush its control over Syria. The people of the Philippines are fully as able to govern themselves as the people of Egypt, India, Iraq or Syria. They have been promised independence by the United States and they have been educated with independence as a goal. It is difficult to see, therefore, how the United States, which has always prided itself upon being "non-imperialistic," can oppose the movement for self-determination in the Philippines. The part of statesmanship should be to hold a round-table conference between American and Filipino delegates for agreement upon a plan to provide for a gradual readjustment of existing economic relationships and for independence at an early and definite date.

Inflation Trends in America

By BERNHARD OSTROLENK
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IN the inner chambers of New York banks and financial institutions there has been discussed in subdued tones the imminence, the probability and desirability of the abandonment of the gold standard by the United States. A few months ago such discussion had been wholly in the realm of gossip. Then it was confined to irresponsible tittle-tattle in the customers' room, but during December and January the situation changed markedly. Economists employed by large financial and banking houses began to receive instructions to present reports on how the suspension of gold payments might affect the different elements in American industrial society, and in some quarters feverish preparation to profit by such an eventuality became apparent.

At the same time European money centres watched intently the enigmatic symbols showing the rise in money issued by the Federal Reserve Bank from $4,700,000,000 in April, 1931, to $5,700,000,000 in January, 1932, and on two occasions—once last November and again in January—sharp gold withdrawals by European nations testified to their lack of faith in the American gold standard. On Jan. 27 President Hoover felt obliged to convey to European central banks the thought of the administration that the law creating the Reconstruction Finance Corporation did not involve monetary inflation. Another indication of the trend was the decision made public on Feb. 1 that the banks belonging to the New York Clearing House had informally agreed not to act as agents for shipments of gold abroad. A few days later President Hoover felt compelled to start an anti-hoarding campaign. It is doubtful if such hoarding can be checked by propaganda. Making hoarding illegal and punishable by a term in prison failed to check hoarding in Germany, Poland, France and other countries when their currency failed to command the confidence of the public..

The abandonment of the gold standard by the United States, which had seemed fantastic speculation a few months ago, began to be discussed as a possibility and even a probability as soon as Great Britain, thought to be financially impregnable, went off gold, with several European countries and virtually all South American countries following in her monetary path.

This action of the British Government was a momentous event and, in the eyes of many, presaged the "twilight of the gods" of a great financial empire. The fall of the pound sterling, famous for its stability and valued as an international currency, suddenly began to disturb the money centres of the world. The tentacles of the London banks reached out everywhere through branches and agencies to make trade possible and extract a fraction of the profit. When a Javanese grower was higgling with a Japanese buyer about a sale of pineapples and neither had faith in each other's currency, the transaction was concluded in terms of the English pound sterling. The same was true when a Czechoslovak shoe manufacturer bought hides from Yugoslavia, and so with many transactions in all parts

of the world. Great Britain's going off the gold standard destroyed a world currency and wiped out immense profits for London.

A step that had such wide repercussions obviously was not taken lightly. It was, indeed, the result of the combined pressure exerted by widely divergent forces. The unbalanced budget, the sharp withdrawals of gold from the Bank of England and the unfavorable balance of trade contributed greatly to this final and fateful step. No doubt the report of the Macmillan Committee, a British official inquiry on finance and industry, which was issued late in June, 1931, had much to do with the spread of heterodox views on the sanctity of the gold standard. Much to the astonishment of upholders of traditional economics, the committee was only mildly concerned about remaining on gold and expressed itself in favor of some kind of managed world currency. Other forces were at work in Great Britain for the abandonment of the gold standard. Among them were those who wanted wages reduced. They saw in the depreciated pound sterling an easy way to make a deep and painless cut in real wages of nation-wide extent. To tariff enthusiasts the abandonment of the gold standard offered a rapid means of protecting the domestic market against foreign competition. In fact, some economists argue that Great Britain was not forced off the gold standard but really abandoned it in response to pressure of groups of interested persons, and that the unbalanced budget, the unfavorable foreign-trade balance and the gold withdrawals merely served to provide a choice of pretexts.

The British experience indicates that a country may be forced off the gold standard because of the drainage of gold in consequence of (1) an unbalanced budget, (2) an adverse trade balance, (3) rapid withdrawals of foreign investments necessitating exports of gold and (4) sufficiently influential or dominant interests finding such suspension of specie payments to be to their advantage. In the case of Great Britain the first three causes were probably of great importance but together may be regarded as preliminary to the real reason, which is to be found in the pressure of the more powerful industrial groups for whose benefit it would be to abandon the gold standard.

Similar groups in the United States have not been slow to grasp the meaning and consequences of the British example. When British interests, imbued though they might be with traditional respect for the gold standard, found it necessary or advantageous or both to abandon it, like-minded groups in the United States could not help asking if they could not reap the same benefits by having the dollar decline in terms of world currencies. Should they set about attempting to induce a monetary inflation which might result in abandoning the gold standard as dramatically and as instantaneously as Great Britain had done?

Here the question is not the immediate probability that the United States will be forced off the gold standard, but rather the more important fact that certain interests have come to the conclusion that it would be to their advantage to have the United States start an inflationary movement. The necessary bond issues would, of course, have to be voted by Congress, and the abandonment of specie payments by the Federal Reserve Banks also would require an act of Congress, since the gold standard act of 1900 includes a provision to maintain notes at gold parity. Whether Congress would actually succumb to pressure exerted by such interests is at present entirely problematical.

Although the abandonment of the gold standard is not a necessary concomitant to inflation, the inflationists insist that, with the impairment of confidence already brought about by the deflationary movement, any attempt at inflation would be promptly

followed by gold hoarding at home and gold withdrawals by other nations and would make inevitable the abandonment of payment in gold for notes. Already the Federal Reserve Banks have suffered serious losses of gold in consequence of domestic hoarding and withdrawals by foreigners. Therefore, it is argued, in any additional inflationary measures, such as will be discussed later, there lies latent the probability of abandonment of the gold standard, even if statisticians can point to the large gold holdings that are at present the basis of our currency.

Ideas of inflation flourish during every depression, and signs indicate that they are now rapidly blossoming in the United States. So astute an observer as Mark Sullivan, considered by many as closer to the administration than any other newspaper correspondent, reports flatly: "Unless increase in currency by a sound method and within safe limits is achieved, it can be anticipated that what is broadly called the money question will come to the front in the coming Presidential campaign."

An inflationary movement may take several forms. We may have a credit inflation such as could result from the bill which was passed by Congress and signed by the President late in January to create the Reconstruction Finance Corporation and which had the support of the more moderate inflationists, or we may have a more direct commodity inflation such as is contemplated by the authors of the various bills now before Congress to expand government construction and give unemployment relief—a form which is regarded with apprehension by the more orthodox economists.

The act which created the Reconstruction Finance Corporation illustrates the first kind of inflation mentioned. The corporation received a direct grant of $500,000,000 from the treasury and is permitted to issue bonds for $1,500,000,000. These bonds are not discountable with the Federal Reserve Banks; that is, member banks of the Federal Reserve System cannot use them as collateral for making loans at the Federal Reserve Banks, a provision intended to make credit expansion less direct and thus conciliate those who object even to this form of inflation. If discounting privileges had accompanied the reconstruction bonds, banks would have purchased them and then borrowed money on them from the Federal Reserve Banks. This in turn would have necessitated an increase in the Federal Reserve note circulation in order to make the advances to the member banks.

But, because the reconstruction bonds have been made ineligible for rediscount at the Federal Reserve Banks, the process of credit inflation becomes more cumbersome though none the less effective. In the absence of any other absorptive market the banks will still be compelled to purchase the reconstruction bonds, but instead of borrowing on them from the Federal Reserve Banks they will be forced to sell United States Government bonds to the Federal Reserve Banks or borrow on other eligible paper in order to buy the reconstruction bonds. The Federal Reserve Banks will be forced to increase their note issue to pay for these loans and purchases, and therefore the increase in currency will take place in the same way as if the bonds had been made eligible for discount directly. The Treasury will be forced to buy some bonds and issue securities in place of them, and the bonds will in turn be rediscounted at the Federal Reserve Banks. In brief, if we eliminate the secondary transactions, the fundamental process is that the Reconstruction Finance Corporation will issue bonds and the Federal Reserve Banks will emit the currency to buy the bonds.

The Reconstruction Finance Corporation will therefore finally have $2,000,000,000 in money in place of its bonds, and a large part of this money

will be derived from an increased note issue of the Federal Reserve Banks. The corporation will put this money in circulation by advancing it to banks on the collateral of their frozen assets, such as bonds of various types and other unrealizable paper. In brief, the banks, by exchanging their frozen assets for cash having its source at the Federal Reserve Banks, will be in a position to extend credit and withstand withdrawals of depositors. The moderate inflationists expect their project to alter the financial situation as follows: (1) It will stop bank failures; (2) it will check the liquidation of bonds; (3) it will enable railroads to refinance bond issues and prevent further railroad receiverships, and (4) it will provide a basis for new credit expansion.

For every dollar coming over the counter into a bank the theoretical credit available to borrowers is about $10, because when a bank makes a loan it does not pass out currency to the borrower, but merely credits his deposits with the loan. Therefore, new loans merely mean larger deposits. This process of making loans is limited by the fact that a 7 to 13 per cent reserve must be kept with the Federal Reserve Banks for all deposits. Hence a $100 reserve enables a bank to expand loans by about $1,000. In theory, the $2,000,000,000 of cash that will flow from the Federal Reserve Banks to the banks through the medium of the Reconstruction Finance Corporation makes possible a credit expansion of between $15,000,000,000 and $20,000,000,000. The administration and the more moderate inflationists do not look upon such expansion as credit inflation, but rather as a check to credit deflation to which the country has been subjected.

Whether credit actually will be expanded and will flow into trade appears doubtful. Economists of the extreme inflationist school argue that an easy money policy has existed since November, 1929, but that it has not encouraged credit expansion. Industrialists do not borrow merely because money is cheap, but only when they believe they can make a profit, nor do banks lend merely because they have the funds, since they must look for the safety and liquidity of the loan. It appears doubtful, therefore, if this additional credit facility will have the desired effect of stimulating business activity.

We thus see why credit inflation has not checked the agitation for the more direct form of inflation of putting more money in circulation either through unemployment insurance payments or through vast expenditures on new government construction programs or by some other device. During the Civil War, it will be remembered, fiat money was put into circulation by using it to pay war veterans and for war obligations.

An important economic group advocating such inflationary measures are those who would benefit by an advance in commodity prices. Government purchases or the paying out of large sums for one reason or another would stimulate purchasing power, which in turn would lead to higher prices. Precisely what commodities would feel the first effects of this inflation would depend on how the new money was put into circulation. If a vast government construction program were undertaken, commodities used in building would be the first to be affected. On the other hand, if the money were circulated through an unemployment relief program, food commodities, the textile trades and, possibly, rents would show the initial response. Besides the proposal of a $5,000,000,000 unemployment relief bond issue, such as is sponsored by Alfred E. Smith, it now seems certain that the Treasury will be forced to borrow $2,000,000,000 in bond issues to cover the deficits for the period ended July, 1932. This issue by itself will bring about important inflationary consequences and in the present state of the bond market will rapidly increase the Federal reserve

note issues, because the banks will be compelled to buy the bonds and they will promptly discount them.

This brings us to the vanguard of the inflationary movement, the debtor group. An immediate effect of a rise in commodity prices would be to lighten the burden of debts. All debtors would be able to pay their debts and interest with fewer commodities. Obligations of railroads, corporations, Federal, State and county governments, school districts and municipalities, payments on farm, home and other real estate mortgages—in fact, every kind of obligation, private or corporate, which today hampers industrial activity would be met with a partially inflated currency. The burden that makes the depression weigh more and more heavily on the world is that of the debts with which the nations, State governments, municipalities, corporations and individuals are loaded. These obligations were contracted when prices were high; now, when prices have fallen and values have depreciated, they can be met only with larger quantities of commodities. For example, a farmer who obtained a loan of $10,000 in 1929, when wheat was selling at $1.50 a bushel, expected to pay his mortgage with about 6,666 bushels of wheat. Today, with wheat at 50 cents a bushel, the same $10,000 loan requires 20,000 bushels of wheat. Similar reasoning holds for other obligations.

The increased burden of debt due to the fall in prices has been doubled and trebled and has paralyzed further credit extension. The figures for defalcation on debts under these conditions are impressive. Defalcation on real estate during 1931 totaled about $6,000,000,000; on foreign bonds, nearly $1,000,000,000; on deposits in banks, nearly $2,000,000,000; on foreclosed domestic corporate bonds, a conservatively estimated $500,000,000, and on other failures, probably $500,000,000. This places the total defalcation for the year 1931 at about $10,000,000,000 or more, without taking into account the losses on mortgages on farm lands, which probably also amount to billions of dollars. These figures are but one measure of the economic disaster that has befallen millions of investors and business men and that continues to bring new troubles in its train. Inflation, in short, will bring to large and important groups throughout the nation definite relief from what they consider an unjust pyramiding of debt brought about by our economic system. They may welcome such inflation without feeling that creditors are being deprived of their property.

Although to the extent that debtors gain, creditors must, of course, lose, inflation may not be without advantages even to them, too. If the recent trend of deflation continues with its rate of defalcation, most creditors may possibly find their claims replaced by depreciated and foreclosed properties or even no assets at all. Inflationary measures, on the other hand, may save debtors from despair and enable them to pay—in a depreciated currency, to be sure, but even then in more commodities than they received originally from the creditors. The statement of the Controller of the Currency shows a further contraction of 14 per cent in commercial bank loans and discounts for 1931. If this rate of contraction continues for five or six years most loans and discounts will have disappeared.

Take the situation in any commodity—for instance, copper. Stocks on hand are estimated now at 600,000 tons, as against 60,000 tons, the average month-end inventory before the depression. A large part of this copper was probably accumulated by the mining companies by means of loans obtained either from banks or by issuing paper on the open market, the security being the stocks on hand. The price of copper early in 1930 was 18 cents a pound, and many banks and finance corporations no doubt felt that loans varying from 8 to 12 or 14 cents were on a conservative basis.

Today the price is 6 cents a pound, and even at this figure copper cannot be sold in large quantities. Creditors of the copper companies are thus faced with heavy losses. The attempt to increase the price from 6 to say 8 or even 10 cents a pound is not considered uneconomic inflation by those who argue for a managed depreciation of currency, but is regarded as merely an adjustment of prices to avert a financial catastrophe of great magnitude should the present deflationary movement continue.

The same story can be told of a great many other commodities. The appalling number of bank failures—2,300 in our rural districts in 1931, and 4,000 for the period of the depression—is the sequel to the sharp drop in the prices of cotton, wheat and other agricultural commodities on which loans had been made directly or indirectly. This extension of credit is not attributed to lack of foresight or conservatism on the part of the banks. No one could have foreseen that in two years cotton would drop from 20 cents to 6 cents, wheat from $1.65 to less than 50 cents, pork from 15 cents to 4 cents, rubber from 30 cents to 5 cents, coffee from 20 cents to 6 cents, sugar to 1 cent a pound, and silk from $5 a pound to $1.80.

We have here a financial deflation, a liquidation of prices, a drop in values without parallel in the experience of the men now conducting the banking and financial enterprises of the United States. To restore a small proportion of these values by government action is not considered by advocates of an inflated currency as uneconomic in the sense in which inflation is thought of by the classical economists. The argument now put forward is for inflation as an instrument to halt further liquidation of credit, to regain some part of the depreciated values and to prevent further descent toward financial chaos.

The more liberal inflationists liken the great debts, which now hang over the industrial world and which have been increased several times over by the drop in prices, to a vast ulcer that is sapping the strength of industrial life. Its removal demands a major economic operation. But this operation, if crudely performed, for example by repudiation or defalcation, may kill the patient, whereas if an anaesthetic, such as a managed inflation, is employed, a return to business health might be brought about.

At this point the advocates of inflation also abandon the idea that increased circulation of money can be effected while the United States remains on the gold standard.

The gold standard makes it mandatory that all paper currency be redeemed in gold. Even the moderate inflation during 1931, which was really an attempt to check the sharp deflation in values already described, has greatly shaken the faith of large groups of investors, domestic and foreign, in the ability of the United States to maintain the gold standard. Hoarding has become so prevalent as to call for special precautions by many banks and has led to the forming of a Presidential anti-hoarding committee. Foreigners have spasmodically made large withdrawals of gold from our reserves, and the formation of the Reconstruction Finance Corporation, though hedged about with safeguards demanded by the moderate groups, has sent such new tremors of fear through European financial centres that President Hoover found it necessary to issue his reassuring statement on Jan. 27. Renewed inflationary measures, open or concealed, are thus sure to give rise to demands on our gold. To what extent the supply can withstand these runs will depend on the amount of inflation undertaken and on the confidence felt in the ability of the Administration to control inflation.

The seriousness of the threat to our gold standard is entirely dependent upon the extent to which new money issues will be made possible by vari-

ous enactments of Congress. If there are to be new bond issues on a large scale we must face the probability of the abandonment of the gold standard. It may be a question of months and possibly of a few years, according to the amount of pressure brought to bear on Congress by the debtor groups.

This brings a new group into the picture—those who have only a tepid interest in inflation but who, because of their international interests, would be directly affected by our going off the gold standard. There is, in short, a group consisting of those who wish to cancel the war debts and reparations and who favor inflation, not in itself, but because it will force the abandonment of the gold standard. Going off the gold standard by the United States when accompanied by inflationary measures would be equivalent to cancellation of a part of the debts owing to us from abroad, the cancellation being measured by the decline of the dollar in terms of foreign money. France, for example, would be able to buy more dollars with 100 francs than at present and therefore would be able to discharge her obligations in the same number of dollars but with fewer francs.

Here again the burden of our debtors would be lightened, while on the other hand, as has been argued in certain quarters, this burden would not be shifted from foreign to domestic taxpayers because the government obligations outstanding in the forms of domestic bonds would be paid in the depreciated currency. Crudely put, it might mean partial cancellation abroad and partial repudiation at home. According to liberal inflationists, however, it would involve cancellation of only a portion of the debt which has been pyramided by the drop in prices of commodities and there would be no repudiation at home because government payments in inflated currency when translated in commodities would be equivalent to or larger than the commodities received from bondholders. Here, again, inflation would be merely a partial equalization of values distorted by the difference between periods of high and low prices. Moreover, even with some such encouragement to foreign debtors, it is argued that there is every chance that the whole debt might still be repudiated.

Abandonment of the gold standard would also be welcomed by the important interests in the United States which favor higher tariffs and which would receive special benefits, because making the dollar worth less in terms of foreign currency would be equivalent to providing further protection of a substantial character. Going off the gold standard, with inflation in domestic currency, would necessarily reduce the exchange value of the dollar and discourage imports. For example, an American importer buys watches in Germany and sells them here. He finds that under the gold standard he gets about 4 reichsmarks for $1, with which he can buy a certain type of watch in Germany. This enables him to sell the watch in the United States for a little above $1. If the United States inflates its currency and in consequence the value of the dollar drops, the importer may find that with $1 he can buy only, say, 3 reichsmarks. This would mean that $1.33 would be required to buy 4 reichsmarks, which in turn would buy the watch. He would have to sell the same German watch for $1.33 or more instead of $1, and to that extent there would be established an additional tariff. The same thing would be true of other commodities. The percentage decline of the dollar in terms of foreign currency would be equal to the percentage increase in tariff protection that would be placed against all foreign goods. Simultaneous reduction of the tariff with going off the gold standard would partially overcome the uneconomic effects of additional tariff protection.

In brief, a governmental inflationary measure is favored by important

groups because it would react as follows: (1) It would advance prices of commodities; (2) it would decrease the burden of debt of all debtors; (3) it would decrease the claims of creditors in terms of commodities as valued today, but it would in most cases give them more than they gave and more than they would receive if the present rate of defalcation continues; (4) it would liquidate frozen bank assets and prevent further bankruptcies; (5) it would benefit agriculture by raising prices and by lowering the farmers' debts; (6) it would benefit the laborer in so far as he has debts, but, because of present labor conditions and the usual lag in wages, it would mean a substantial lowering of real wages; in fact, it would be the wage-earning and salaried groups that would be adversely affected by inflation, and (7) it would give the debt-ridden world a breathing spell by placing the discussion of intergovernmental obligations in a more rational atmosphere.

No matter how much it is disguised, this means putting the country on a fiat money basis and is considered by classical economists the height of fiscal folly. During all history, when this or any other country has adopted inflationary measures of this type, financial disaster has resulted. The siren's song of inflation has been sung in every depression during the history of the United States and invariably it has brought the ship of state to grief. The inflationists were lured by the voice of the enchantress, but failed to see the rocks. Issuing fiat money leads to increased purchasing power at first, but ultimately the higher prices so stimulate production and check consumption as to create new problems of larger inventories, larger debts and a further removal from sound recovery. Going back to the gold standard always is a costly and painful readjustment. Inflationists argue that what is proposed is some kind of managed inflation such as foreign countries have deliberately adopted. The United States on a gold standard is placed in a greatly disadvantageous competitive position when the largest part of the industrial world functions under a managed currency. This is because exports from the United States, a gold-currency country, are checked, and imports from managed-currency countries are stimulated. Hence the disadvantage is progressive.

Nevertheless, the movement toward direct inflation in the United States is gaining increased support with its desperate plea for the application of oxygen to industrial activity. The remedy is being advocated by the great debtor groups, the protectionists, the cancellationists and the exponents of a managed currency. It is a strange assortment, and it is not impossible that they might exert enough pressure to persuade Congress to inject the stimulant which they believe will revitalize our economic life.

What Hope for the Farmer?

By LEMENT HARRIS

[The author of the following article was graduated from Harvard University in 1926. He worked on a cooperative dairy farm in Pennsylvania in 1927-1928, and spent the following year on Russian State and peasant farms and also in Russian farm implement factories. During 1931 he made a careful survey of agricultural conditions in the United States, traveling through all the great American farming regions.]

DISILLUSIONED farmers are stirring to revolt here and there over the rural scene. What else can they do? Many have been dispossessed, most are insolvent; tenants have lost hope of ever becoming farm owners; migratory workers are jobless—thousands are hungry. Yet warehouses of "surplus" crops are locked against those who grew them. Food is destroyed to bolster prices—this maddens the hungry.

Last Winter, in Arkansas, the tenants' cupboards were bare because of drought and a system which permits no cash reserve. A frantic woman knocked on a neighbor's door and said: "My kids hain't et for two days; what'll I do?" When the cropper saw that woman something went "right up" in his head. "Woman, you wait here," he answered, "I'm goin' to git some food." He gathered some hungry recruits and went to town. As they walked the two blocks from the police station to Ben High's grocery store 250 more men joined them. All towns have scores of men waiting—for a leader. The sight of 300 determined men quickly convinced the business leaders of the town that it was time to provide relief. The men accepted $2.50 per family for groceries and went home. In a few days both the Senators from Arkansas were on the floor of Congress urging a $15,000,000 appropriation for direct aid to the drought-stricken States. One distressed woman had started a train of events which forced Washington to act. The Senators knew that the march might well be repeated in other places.

This Arkansas raid was not widely reported in the press, but the story spread from farm to farm until it was known throughout the grain belt. The writer talked about this incident to perhaps a hundred farmers in every grain State from Texas to Canada. Every farmer had heard of it, and the great majority added: "I think that those folks did just exactly right."

In North Dakota during the Summer the farmers held meetings to plan for the 1932 Winter. Drought had destroyed their crops, and they had heard of the inadequacy of public relief in Arkansas during the preceding year. A typical meeting was held at Stanley, N. D. Families contributed pennies for gasoline and traveled 100 miles from six counties—many in cars without license plates. They proposed to use the town auditorium, built by taxpayers in memory of the war dead, but the local post of the American Legion objected, scenting danger in a farmers' organization. The meeting was therefore held in the court house. Hundreds crowded into the large court room. A local speaker from the judge's bench voiced the slogan which the farmers adopted enthusiastically—"Natural law, or the rights of hungry people, is superior to statutory law."

Rain has broken the drought,

but the farmers' distress remains acute. They have no hope of making a profit out of grain, the one crop to which their land is suited, and every prospect of increasing their indebtedness if they try. The last remnant of title to their farms is passing to the banks; yet, if they are dispossessed, there is no likelihood of employment elsewhere.

Why do not their homesteading and years of toil give them a greater equity in their land and property than the legal claim? Together they mean to defend their rights. "All of us are busted," remarked one farmer, "but if the Sheriff comes walking up our lane we are prepared to argue with him metallurgically." Already the farmers have demonstrated their solidarity at the few attempted Sheriff's sales. On these occasions they stand around in groups and make it clear that any one who dares to make a bid for the foreclosed property may regret it. Since the farmers' plan for 1932 is to plant only such crops as will supply their own needs and those of their stock there will be no means of paying taxes or interest on notes at the bank, but like besieged people they are determined to hold their homes against dispossession.

In the lower South there has been no drought, but croppers and tenants are starving. Here the color line divides every community into two parts. During the Summer of 1931 a group of Alabama tenant farmers, mostly Negroes, began to hold secret meetings and to discuss plans to improve their condition. The meetings were necessarily secret, because Negroes are not allowed to assemble and also because later some of the white croppers joined them. When, after a few months of activity, the landowners learned of the existence of the croppers' union, a mob was raised and a meeting of the croppers raided. One of the Negro leaders was wounded, and later was shot in his bed. In spite of this act of terrorism against tenants for resorting to concerted action, the organization is rumored to be still active, while whites are warning hardware stores not to sell arms or ammunition to Negroes.

Arkansas raid, North Dakota community resistance, Alabama Croppers' Union—these are all straws in the wind. They indicate the point at which people will rebel. Farmers have been willing to work for a bare living—especially when they see neighbors' children straggling in from industrial centres, driven back to the farm by the city breadline. But when credit declines to the point where whole sections are unable to borrow money to plant crops or buy groceries, outbreaks are inevitable.

In this explosive situation, the immediate future lies in the hands of the new owners of the farms—the local business men, bankers and directors of insurance companies. These men must decide whether to foreclose their insolvent holdings or carry them in the hope of better times. Perhaps it is fortunate that they are the most insistent exponents of America's fundamental soundness and therefore will be the last to accept the humiliating conclusion that our boundless possibilities of wealth cannot be translated into good living conditions and economic security for all.

How long can bankers continue to make agricultural loans, even though fired with the hope of the imminent return of prosperity? In the important wheat belt of the eastern part of the State of Washington necessity has forced them to restrict credit. Two vice presidents of different banks in that region reported that "this 1931 season sees us carrying over for a year 80 per cent of our agricultural loans. We find it necessary to take 15 per cent of our most doubtful farmer customers and cut them off from further credit." Bankers throughout the wheat belt, upon examination of out-of-pocket costs of production, have found that national averages for straight grain farms are roughly $1 a bushel; prices received

on the farm after the average freight rate of 20 cents is deducted are from 30 cents to 50 cents a bushel. Southern bankers are appalled likewise by 5½ to 8 cent cotton when they know the cost of production averages 16 cents a pound.

In addition to loan hazards, another factor has caused a tightening of credit. There is less money to lend. Charts prepared by the United States Department of Agriculture show during the last two years a 40 per cent decline in bank deposits in eight Southern States for towns under 15,000. A similar though less marked decline has occurred in other regions.

Federal relief measures which have been tried so far, such as feed or seed loans or the proposed Frazier bill for refinancing mortgages on a 3 per cent basis, serve to pump oxygen into strangling farmers. They allow time for the small group which directs the banks and insurance companies to try desperately to emerge from the impasse. Insurance companies alone hold $2,000,000,000 in farm mortgages—an investment which should spur them to heroic efforts of rehabilitation before credits recede further.

Bankers know that they cannot trust to a natural solution of the problem. Though low prices usually reduce production and make profits possible once more, in agriculture two factors are operating against such a solution. First, world competition in the important staples is increasing to a degree that has caused a decline in the demand for American agricultural exports. Russia is becoming self-sufficient in wheat, cotton and even rubber; Great Britain's pre-war demand of 3,500,000 bales of cotton has dropped to 2,000,000. A second factor operating to keep prices low is the introduction of new mechanized methods which, for a variety of crops, make possible mass production on a low-cost basis. Two wheat farms of from 30,000 to 60,000 acres have shown costs for two consecutive seasons of from 28 cents to 31 cents a bushel, compared with the national average of over $1 a bushel. Nevertheless, there were no profits in the disastrous 1931 season, when prices dropped as low as 18 cents a bushel at the railroad siding in Texas. On many Southern farms the production of cotton is mechanized in all steps, from seeding to ginning, with the single exception of picking. Now a really practical cotton picker seems about to be developed. When it is, it will further jeopardize the economic basis of 6,000,000 people, the bulk of whom will no longer be needed as hand pickers. Other recent mechanical developments are a sugar-beet harvester, which bumps along the rows, topping each plant at just the right level; hay-driers, which permit the cutting and curing of high-protein hays, like alfalfa or young rye, irrespective of weather conditions; a rotolactor, by which 4,500 milkings per day are performed with two shifts of eleven men. These mechanized methods can meet the stabilizing demand for food products even though thousands of small farmers drop out.

Can farmers' cooperatives solve the problem? Why is it not possible to effect sweeping improvements if cooperatives obtain monopoly control over a crop? Only products confined to certain localities lend themselves to close organization. California citrus fruits were once in this class, but the increased Florida production and the new Texas grapefruit area are bringing about the inevitable surfeit. In California there is a classic example of the futility of even complete monopoly control—the growing of peaches for canning. In one small area 98 per cent of the world's production of canning peaches is grown. Early in the 1930 growing season it became evident that the crop of canning peaches was likely to be the largest and best ever grown —a disastrous outlook. Accordingly, the canners agreed to buy only 65 per cent of the crop. Even with the destruction of 5,000,000 cases of peaches,

the price fell below the cost of production. The same destruction occurred again in 1931, with the addition of a bonus for every acre of bearing trees which was destroyed. The principal difficulty with the plan is that canned pears and other fruits are also in competition with peaches. Apparently schemes for controlling production must include all allied products and be directed by a national planning bureau.

No attention is being given to producers' cooperatives in which farmers throw together their fields and thereby operate large acreages with the best available machinery. The Russian collectives which are organized in this way show economies that should be impressive to American farmers. But such a program is unpopular with the small business leaders who dominate every American rural community. Townships or counties which decide to cooperate in production always set up their own retail stores, their own bulk gas stations, and thereby do business with wholesalers over the heads of local storekeepers. These business men fight such competition whenever it arises.

When cooperatives offer but feeble aid, and "natural" economic readjustments are doubtful, business leaders and farm experts in every agricultural section confidently advocate still another solution—the "live-at-home, diversified crop" program. This means that every farmer should raise his own food and feed, thus reducing his cash expenditures to the minimum. At the same time, by diversifying his crops, he will not be dependent upon the price fluctuations of one product.

Do these simple principles contain a solution? In the name of diversification, farm leaders have plausibly argued that communities should stop buying products from neighboring States which they can produce locally. The New Orleans Chamber of Commerce tells visitors that, although Louisiana is naturally fitted for producing milk, the State is actually importing $500,000 of dairy products a year from the Middle West. Yet close to Baton Rouge is the Gayden Farm with 250 Jersey cows producing rich, creamy milk. This dairy has been forced to dry off a quarter of its cows prematurely because there is no sale for its milk even though the owner receives only 5 cents a quart. In Georgia a brave woman adopted the idea of diversification and supplemented cotton with cows, but 4¼ cents a quart for milk means that she also is losing. A Southern county advertises that it "harvests a crop nine months in the year." From peanuts to pork, all crops are unprofitable and give the diversified farm no advantage other than that of a more efficient use of its unprofitable labor. This only serves to emphasize today's major agricultural premise—any crop which shows a profit will quickly be overproduced.

Along with diversification the live-at-home gospel is being preached in every section where there is enough moisture for a garden. Enthusiastic propagandists have carried on Statewide campaigns. Mississippi boasts that a meeting was held in every township; as a result more seed was sold and more gardens were planted than ever before. National journals have taken up the cry and printed long articles describing the communities which are supposed to have benefited from living at home. Even the deputy governor of a Federal Reserve Bank points out that farmers must "go back" to more simple living. "You know," he said, "maybe the French peasant has solved the rural problem. Our farmers should stop buying radios and Ford cars and live like peasants. Now I don't suppose you would like the peasant life—I am sure I wouldn't—but I can see no other outlook." Such is the dictum from a citadel of finance—return to pioneer conditions! It means that the bulk of the agricultural population, some 27,000,000 people, must permanently lower their standard of living.

On the farm there is less enthusiasm for the "live-at-home" program. The farmers themselves are the only group which considers the plan an inadequate makeshift. Instinctively they resent being denied the advantages of modern life. Simple facts impress them—distress and hunger in the cities, "overproduction" of food on the farm. They are rapidly losing confidence in the leadership which cannot distribute the food they produce to the thousands who need it.

A few who have cows, chickens, hogs and a garden and are free from debt can wait for better times. One man who was "waiting" on his farm called it a "return to the primitive," because he had not one dollar to spend on clothes or gasoline—a perfect example of "live-at-home." The majority have debts and must try to raise a cash crop to stave off foreclosure. Most tragic are the croppers who have no experience except in the raising of a staple like cotton. In the past they were ordered to buy their groceries from the plantation commissary; now they are told to plant gardens and be self-sufficient. They are ill prepared to do the relatively complicated planning necessary to produce and preserve enough food to last through the Winter and Spring. They cannot buy any of the necessities of a self-sufficient farm—seed, fencing, canning jars, a brood sow, chickens, cows. Without experience or money hundreds of thousands will fail. Many are starving now. They can only press into towns and cities where the ranks of the unemployed are already formidable.

The dean of a Southern agricultural college is humane and a realist. He knows that landlords are not making a profit and will not hand out hog fat, corn pone and beans to the tenants any longer. He would like to do something. He tries a plan both desperate and pathetic. In a test county, he induces a group of bankers, business men and landowners to permit their many vacant cabins to be occupied by any Negro or white family which applies. Two acres of land go with the cabin, and the seed and simple tools necessary to plant half an acre of garden and an acre and a half of tobacco. At the end of the season the landowner is to repay himself with half the proceeds of the tobacco. The tenant family, averaging seven people, must try to live on the cash from three-fourths of an acre of tobacco and the food from half an acre of garden.

A two-acre farm is below the standard of even a peasant, but 6,000,000 white and black people are facing it. Yet business leaders enthusiastically support this plan and the whole "live-at-home" movement, because they hope that it will keep ruined farmers on their farms in relative obscurity. If they reach the cities it will be too dangerous not to feed them. Perhaps some miracle of price fixing or a war will make the feeding of this dispossessed class profitable once more.

Will this plan succeed? In Washington a high official with many years of experience was thinking aloud: "I wonder if our dispossessed farmers will sink to a starvation level of living, like the Chinese, without a fight." Thousands of miles away, after a terrible Winter diet of lard and beans, a tenant was saying: "These kids ain't agoin' to starve with me loose."

Clarence Darrow: Crusader for Social Justice

By WALTER PRICHARD EATON

IT was hot in Dayton, Tenn., so hot that the judge had consented to move out of the packed court 'oom to a platform on the court house awn. The platform was surrounded by a milling and motley throng—re-porters, camera men, hillbillies, col-lege professors, Holy Rollers, ped-llers, children, dogs. John T. Scopes, he young man on trial, was almost 'orgotten. In the witness chair, as an expert on religion, sat William Jen-nings Bryan, the leader of the pros-ecution, his coat off, his sleeves rolled ip, his shirt open at the breast, his bald head glittering with perspira-ion, his hand ceaselessly waving a palm leaf fan. And facing him, also n shirt sleeves, stood Clarence Dar-ow, the leader of the defense, ag-gressive as a bulldog leaping for an opponent's throat, tireless and merci-ess, all suavity gone, his seamed, vrinkled, homely face, so often mirth-ul and kindly, now set with the frown of the killer. The man in the witness hair had three times been a candidate or the Presidency of the United States, had been Secretary of State under Woodrow Wilson, and for a generation the leader of American Democracy. The man who faced him, and hounded him, was perhaps the most noted jury pleader at the Amer-can bar. And all the excitement was ver a young high school teacher's aving told his pupils that man is a mammal and has evolved from more primitive forms of life, contrary to he laws of Tennessee.

DARROW—You believe the story of the lood to be a literal interpretation?

BRYAN—Yes, sir.

DARROW—When was the flood?

BRYAN—I would not attempt to fix the date. The date is fixed, as suggested this morning.

DARROW—About 4004 B. C.?

BRYAN—I never made a calculation.

DARROW—What do you think?

BRYAN—I do not think about things I don't think about.

DARROW—Do you think about things you do think about?

And so it went, till both men were so excited that they often shook their fists in each other's perspiring faces, Darrow ripped his shirt sleeve pound-ing the table, Bryan stumbled into an "admission" that maybe the six days of Genesis might have been a some-what longer period, the reporters' pen-cils tore over their pads, and the next day an astonished world wondered that such things could be as the twen-tieth century was entering its second quarter. Most people, probably, con-sidered that Bryan was sincere in his stumbling defense of fundamentalism, and while they were not exactly sorry to see him made ridiculous, Darrow was no hero in their eyes for invading this obscure little Tennessee town and becoming ringmaster of an intellec-tual circus. It was freely enough said at the time that he was a "show-off," embracing this opportunity for an enormous publicity. A wide public, which had just come to know Darrow in the Leopold-Loeb case in Chicago a year before, and sided quite gen-erally against him there, now again saw him in an unfavorable light.

If we turn to Darrow's autobiogra-phy for understanding, we read: "I cannot say that in this case I had

nothing to do with the immediate cause of all this publicity. For the first, the last, the only time in my life, I volunteered my services in a case * * * because I really wanted to take part in it." But his reasons for so doing had nothing to do with personal publicity. Although he had supported Bryan in 1896 and 1900, he had long resented Bryan's Fundamentalist attacks on liberal teachers and professors, and especially his espousal of the anti-evolution laws which finally passed the Mississippi and Tennessee Legislatures with his personal assistance. The laws themselves Darrow regarded, of course, as intellectual tyranny, and un-American because imposing a State religion.

> I was in New York not long after the arrest of Mr. Scopes, and saw that Mr. Bryan had volunteered to go to Dayton to assist in the prosecution. At once I wanted to go. My object, and my only object, was to focus the attention of the country on the program of Mr. Bryan and the other Fundamentalists in America. I knew that education was in danger from the source that has always hampered it—religious fanaticism. To me it was perfectly clear that the proceedings bore little semblance to a court case, but I realized that there was no limit to the mischief that might be accomplished unless the country was roused to the evil at hand. So I volunteered to go.

It is fairly obvious that Darrow welcomed the chance to face Bryan, and hoped to reduce his public influence. But his chief motive in this case was to turn the light of publicity quite mercilessly upon the anti-evolution laws and the whole state of mind which engenders them, as a public service, as his contribution to intellectual freedom and a more rational civilization. His technique being that of a trial lawyer, the bull dog snapped and snarled and worried the Peerless Leader to make a reporters' holiday. As a result, he complains a little bitterly in his book that "during the trial of this bizarre case I felt that the attorneys for the defense were sadly misunderstood." And he adds that none of them asked for or received compensation, and he himself was out $2,000, "but I believed that the cause was worth while, and was always glad that I helped."

"I believed that the cause was worth while—." In those quiet and almost casual words Darrow states what seems to have been the motto of his life. Whether reading his autobiography* or Charles Yale Harrison's recent study† of him, you are immediately impressed by the apparent absence of financial calculation in all his famous cases, by the crusader spirit in which he entered them and, above all, perhaps, by the way in which he emotionally dramatized them to give them a general significance and make them focus a cause.

Best remembered, probably, of all his cases save that at Dayton, was his defense of Leopold and Loeb in 1924. The murder these two youths committed was so atrocious that, as he points out in his autobiography, the whole country howled for their blood. When he was retained by their families, the public cried that the rich could hire the best legal talent and dodge the penalties the poor would have to pay, and Darrow was looked upon as one who tried to thwart justice for a fat fee. What actually he did was to enter a plea of guilty, thus avoiding a jury trial, and then, taking advantage of the Illinois law which permits the introduction of evidence before the judge to determine sentence, to establish—he says for the first time in American courts—consideration of degrees of culpability due to mental make-up. Being opposed to capital punishment, and also firmly convinced from his study of criminology that there are various degrees of guilt for the same crime, Darrow in this case not only saved two boys, 17 and 18, from the gallows (of course they went to prison for life), but brought into

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*_The Story of My Life._ By Clarence Darrow, New York: Charles Scribner's Sons, 1932 $3.50.

†_Clarence Darrow._ By Charles Yale Harrison. New York: Jonathan Cape & Harrison Smith, 1931. $4.

court, and thence to public attention, a mass of expert psychological evidence which has certainly furthered the study of crime, and perhaps already helped in devising preventive measures in the case of juveniles.

"I endeavored in my address," Darrow writes, "to make a plain, straightforward statement of the facts in the case, and I meant to apply such knowledge as we now have of the motives that move men. The argument took the largest part of two court days. * * * When I closed I had exhausted all the strength I could summon. From that day I have never gone through so protracted a strain, and could never do it again, even if I should try." Part of this strain, no doubt, was due to the bloodthirsty mob waiting outside the court room; he was fighting mob hysteria. Part was due to his own strongly emotional nature. His plea, though to a judge, not a jury, was charged with emotion, and he ended weeping. Mr. Harrison says Judge Caverly "partly hid his face." The court room was still as death. Darrow had again dramatized his plea.

For this case Darrow, according to Mr. Harrison, sent in a bill of $200,000, with the understanding that the parents would, if they objected to it, submit it to the arbitration of the Bar Association. They refused to do so, and ultimately sent him $70,000, which he had to split with his firm. His satisfaction for this case was in the triumph of a cause.

In 1894 Darrow was practicing law in Chicago and taking part in debates on the single tax or delivering lectures to obscure organizations on the philosophy of Tolstoy. In some ways, his preparation for a career was not unlike that of Bernard Shaw. He was 37 years old, and though he had been in Chicago several years, and won the friendship of Governor Altgeld and served the city in various legal capacities, he had only begun to have a really lucrative practice. This had come about when he had been made counsel for the North Western Railroad.

Older people will remember that we were going through a "depression" in 1894, and one which brought to some parts of the country, especially the Middle West, scarcely less suffering than the present slump. At the great Pullman works hundreds of men were laid off and the pay of the rest was reduced 40 per cent. A strike resulted. The American Railway Union, of which Eugene Debs was president, refused to haul any Pullman cars. There was much violence, particularly in the Chicago yards. Over the protest of Governor Altgeld, President Cleveland sent Federal troops to Chicago. As a result of the destruction of property, Eugene Debs and his labor associates were indicted, charged with conspiracy against the laws of the United States. At the plea of the union, Darrow undertook their defense. He resigned his position of counsel for the North Western and apparently turned his back on what gave promise of a profitable career as a corporation lawyer. His business and legal associates, of course, considered such a step little short of madness, the more so because Debs and his union were looked upon as dangerous radicals by the public and no general popularity could result from defending them—indeed, quite the opposite.

Why did Darrow do it? His friend, Governor Altgeld, asked him at the time, and he replied that his motive was purely selfish—to escape pain. "If it were easier for me to go on being counsel for the North Western and my other clients, don't be afraid, I'd do so. But, Governor, you understand, the price is too high. It hurts me too much to see Debs and men like him faced with the possibility of spending years in prison, and so, like the man who buys 10 cents' worth of relief from the beggar on the street, I am buying relief, too. No, it isn't idealism at all, you see, it's just plain downright selfishness."

This, of course, was his way of try-

ing to rationalize his emotional reactions. He took the case, quite evidently, because he felt the conspiracy laws could be, and were, used as a tool of "privilege" to suppress labor. He keenly felt inequality, injustice and tyranny in the whole situation, and appears never to have doubted that Debs and his fellow-officers at no time counseled violence. It was a great grief to Darrow when Pullman fled from Chicago before he could get him on the stand. That would, indeed, have been a dramatic contest, more worth recording than the cross-examination of Bryan.

From the Debs case, Darrow went back to his office without his previous remunerative connections, and had to start anew building up a practice. More and more this practice resolved itself into the defense of labor, of the underdog, of the poor and oppressed. So far as organized labor was concerned, his two most famous cases following the Debs case were the defense of Moyer, Haywood and Pettibone in Boise, Idaho, and the defense of the McNamaras in Los Angeles. Both were cases in which conspiracy was charged, and thus fell into line with Darrow's crusade. The former case made three men famous — Darrow; the prosecuting attorney, William E. Borah; and one of the prisoners, Big Bill Haywood, who was tried first, and whose acquittal released the others. For Borah, Darrow expresses admiration and respect as a man and a lawyer. He does not say much about Haywood. Certainly he does not share his political — or anti-political — beliefs, and never did. But, as he puts it, "this trial developed into a history of the strike, covering most of the mountainous sections of the West. * * * In this period nearly every person had the psychology toward his friends and his enemies that prevails in all other wars."

Moyer, Haywood and Pettibone were being tried in connection with the murder of Governor Steunenberg by Harry Orchard, but actually, as Darrow dramatized the case, labor was on trial for its very life. His final appeal, as was generally true of his jury appeals, was highly emotional.

> There was a marked contrast between the audiences during Mr. Borah's argument and mine. While I was speaking the court room was packed and the lawn swarming with working men, Socialists and radicals, with idealists and dreamers, from every section of America. They devoured every word spoken. Each felt that in this case his personal cause had its day in court, and a spokesman who understood his life and sympathized with his needs.
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> Mr. Borah finished his argument in an evening session on a Saturday night. The court room was packed with the élite of Boise and all the State. All of them were dressed as though attending a social event, which indeed it was. The common people had been given their opportunity in the afternoon. The court room had been thoroughly aired, if not fumigated, during the recess. The elect now had their turn.

Haywood — the first man tried — was acquitted by the jury, and, as Darrow truly says, "the verdict made a profound impression through the country. On the one hand, it was met with bitter disappointment; on the other, there was unrestrained joy." Darrow was satisfied. He had succeeded not so much in freeing his man as in dramatizing for the country the underlying forces in conflict.

Darrow was drawn into the McNamara case, in 1911, by the solicitations of Samuel Gompers. He says he felt he had "done his share of the fighting," and he tried to beg off. "I was now weary of battling against public opinion. I believed in trades unionism, and knew the needs of labor organizations. * * * This question seems better understood today, but it took centuries of hardship and sacrifice and industrial war to bring this about." At last he yielded, and went back into the "war." He says that when he left Chicago for Los Angeles he "knew nothing about the facts." In this case, they turned out to be pretty damaging, and he came to see no way to

save his clients but through a plea of guilty and a promise of life imprisonment for one, and ten years for the other. Lincoln Steffens, Fremont Older and E. W. Scripps aided him in developing the plan, and presenting it to the judge and the prisoners. It no doubt saved the lives of the McNamaras, but it brought on Darrow the hostility of many of his friends in the labor movement.

Later he was charged with jury fixing and had to remain in Los Angeles and be tried separately, on two counts. The first case he won with the utmost ease. In the second the jury disagreed, which greatly distressed him. He finally left Los Angeles a full two years after he had arrived, and $20,000 in debt. Under the circumstances, it would seem that he had not chosen the easier road when he turned his back on the North Western, and held out a helping hand to organized labor.

For a man whom Bryan characterized as "the greatest infidel in America," who was not by inheritance or by training a member of the laboring classes nor of the "privileged" classes either, who was a lawyer with a pronounced gift for strikirg to the emotional heart of a case and winning a jury to his side, who rejoiced like any good artist in the successful practice of this peculiar art, and who could certainly have won fortune by its conventional exercise, to give the best years and efforts of his life to unpopular causes, fighting the battles of labor in the courts and crusading for his convictions regarding freedom and justice, is an unusual and heartening phenomenon. In Clarence Darrow the breed of the Puritan reformers still lives, though at first glance he seems far removed from Puritanism.

His ancestors on both sides, however, were Connecticut Puritans, who moved into the Western Reserve like so many others. His father, Amirus Darrow, had planned to be a minister and had studied at Meadville, Pa., but even the Unitarianism taught there was not rational enough to suit him, and he never preached. Instead, he settled down in the village of Kinsman, Ohio, earned a precarious living as a cabinetmaker, and raised a large family in the love of learning. His own evenings were spent with his books—the Greek and Latin classics, Channing, Emerson and, as they came along, the works of Darwin and Huxley, and the pamphlets and books of the Abolitionists before the war and of the numerous reformers thereafter. The elder Darrow was known in Kinsman as an "infidel," but he was quite evidently respected. He had, it would seem, a skeptical, free mind, ethical seriousness, a genuine love of learning—all a characteristic flower of Puritanism in the nineteenth century.

From Clarence Darrow's autobiography it is quite evident that his father was a profound influence in his life. He was more emotional than his father and more humorous, but he absorbed the rationalistic attitude toward human laws and customs, the ethical seriousness, and the love of books. His father sent him to study law at the University of Michigan. He began his legal career in Ashtabula, Ohio, where he married and settled down, to all appearances reconciled to a small-town practice and a restricted life. After a few years he proposed to buy a house, but the woman who owned it refused to take a mortgage because she did not believe he could ever pay it off. That, he says, stung him into going to Chicago, where he settled in 1888.

It was not till six years later that he came into prominence. The intervening years, if we are to judge by his own statements, were quite as much filled by extra-legal intellectual pursuits as by the study and practice of his profession. He had come, somewhat earlier, under the spell of Robert Ingersoll, and had tried for a time to

model his speeches on the rhythmic style of that orator. Ingersoll's agnosticism, of course, struck a responsive chord. But, he says, he soon determined that he must go his own way oratorically, and he evidently worked hard to develop a straightforward, simple style of speech, charged with emotion and taking easily any humor that came bubbling up. For a time he was a follower of Henry George; he admired Tolstoy and lectured about him; he admired Altgeld — who was for a brief time his law partner — and supported him on the platform. He was living half his life, at least, in the realm of general ideas, meeting all sorts of men, radicals and laborites as well as industrialists and politicians. Again we say that his preparation for his career, slowly accumulated, was much like that of Bernard Shaw; and as Shaw's plays have gained their appeal to no small extent from their author's familiarity with the ideas of his age, so Darrow's famous cases, which began with the Debs defense in 1894 - 1895, were fought and often won not alone, or even chiefly, by legal brilliance but rather by his understanding of their extra-legal aspects, their relation to the ideas or even the nascent ideals of his time.

There have been great pleaders before. Not infrequently the man who takes off his coat and weeps and thunders before a jury is no very inspiring spectacle to the judicious. That Darrow was enormously clever in tying up a case with the emotions there is no denying. He himself declares that cases are decided not by reason, but by emotion. But his emotional appeals were, none the less, rationalized an connected the case with larger issue and social principles. And these wer issues and principles which, to hin stood for freedom and right.

This is the real measure of Darrow

There is, of course, more of Inger soll than of Huxley in his agnosticism Some of his scornful gibes at fait seem in this age perilously like blow at a man of straw, and his pessimisti philosophy of life is oddly belied b the gusto with which he has lived an fought. As Mr. Harrison record when somebody pointed this parado out to him, he replied, "My emotion haven't caught up to my intelligence. Fortunately for him, he has been pragmatist in practice and recognize the working value of the emotion He has retired from the bar, at th age of 75, battle-scarred and not tc well equipped with this world's good In recent years he has debated whethe life is worth while, whether prohib tion is worth while, whether capit punishment is worth while, whethe there is free will, whether man is machine, whether "the human race getting anywhere," with all sorts opponents all across the land. Thou sands have listened to him, smiled his drawling wit, admired his eas apparently casual flow of ideas, take home the picture of his wrinkle shrewd, but kindly face—and doub less gone on believing what their em tions dictated. This is not a ration world. But probably Clarence Darro is not quite so sad about it as h pretends. His own life, at any rat has been a shining example of a ric and serious emotional nature made th dynamo to drive a skeptical mind in paths of public service.

College Education for the Intelligent Few

By BERNARD DE VOTO
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THE American colleges of late years have increasingly recognized their inability to deal satisfactorily with the best minds among their student bodies. The problem of the superior student, as distinguished from the mediocre or merely average student, was made especially urgent by the increase in registrations that followed the war, but for some time before that a great deal of dissatisfaction was apparent. Efforts to solve the problem have produced much experimentation, most of it designed to modify methods of instruction. The last ten or twelve years have seen the birth and death of many educational fads, some of them with full benefit of publicity, some of them crack-brained, nearly all of them unrealistic. One effort to deal more satisfactorily with the superior student, however, has achieved enough success to seem permanent—the tutorial system.

It is just 296 years since the first institution that called itself a college was established in territory that is now a part of the United States. In three centuries, three systems of instruction have been employed by American colleges. The first of them, the recitation system, endured for something like 250 years. It is the immemorial way of imparting information. A person who knows something about a given subject gathers students around him. He assigns them work to be done, and at stated times they recite to him. He questions them, corrects them, explains what they do not understand, and assigns further work. Observe, however, that the governors of colleges require evidence that his pupils have attained a certain proficiency in the subject. So, since it is not safe to assume that children or the raw material of democracy are sufficiently interested in study for its own sake, and since some coercive force is necessary, the recitation system sets periodic examinations. The examination is a device that tests the student's progress, and the necessity of passing it provides the motive that, in a democracy or in childhood, does substitute duty for the love of knowledge.

For two and a half centuries no other method of instruction was employed in American colleges. It answered very well for the curricula of the day in institutions that were merely boarding schools a little more advanced than the academies. The curricula included Greek, Latin and Hebrew; rhetoric, forensics and exegetics; mathematics and "moral philosophy" or ethics, and a few half-analytical branches of biblical study. For such subjects no better method has been devised; most of them continue to be taught in the same way. It is probably the best way of teaching the elements of mathematics, languages and the sciences. So long as elementary work in such subjects must be given at the colleges, the recitation system will probably remain. Eventually the colleges may be able to require proficiency in the languages,

both ancient and modern, before allowing students to register. But to require freshmen to have advanced knowledge of the physical and biological sciences is unfeasible and probably undesirable.

There is no need here to examine the system in detail, but one highly important fact must be pointed out. It is the only system of instruction that has operated long enough in the American colleges to adjust itself to the realities of the national character; 250 years produced adaptations that express something fundamental in American requirements of education.

The development of a great many subjects to which the recitation system was inapplicable and the growth of student bodies which made impossible the small classes by which it necessarily operates required the colleges, about fifty years ago, to devise some other method of instruction. The great prestige of German universities made the lecture system inevitable. The system is very simple. An authority delivers a course of lectures on his subject, supplementing them for purposes of either comprehensiveness or detail by assigning to his students reading or laboratory work to be done outside the lectures. His function is to offer knowledge, interpretation, explanation and orientation. He is the fount of knowledge. It proved, however, that he could not be in America, as he had been in Germany, the beginning of wisdom; American students have continued to find that only in the fear of the Lord. The American colleges have never been able to assume that their students were sufficiently covetous of knowledge to work for it. There remained the old necessity to test knowledge and so coerce study. In response to this need, examinations at stated intervals—final, semester, mid-semester, and even weekly—were grafted on the lecture system. The system also found it necessary to break up the larger classes that assembled for lectures and to convene the smaller portions, usually called "sections," at regular intervals for intimate examinations by the lecturer's assistants. This was, of course, a form of the recitation system, which thus effected a compromise with the method that had seemed to dislodge it. Such a compromise would be unnecessary if a student body were homogeneously intelligent, interested in knowledge and willing to work for it.

Of the various objections against the lecture system, we are here concerned only with those that are urged on the ground that it is not accommodated to the education of the best students.

Necessarily, lectures are geared to the average intelligence; at any level of proficiency they can move only with the mean velocity of the mass. The best students have therefore suffered from the dictatorship of the worst, and no means of adjusting this kind of instruction to separate cases has been found. Again, the machinery of sections, recitations and examinations is purely a means of disciplining poor or average students, but has necessarily been imposed on good students, who do not require it and are annoyed and impeded by its use. But more serious is the allegation that lecturers cannot be teachers. The good student is depressed by his failure to get in the lecture room anything that he could not have got from a textbook and supplementary reading in a library. He comes to regard the lecturer only as a purveyor of facts to students too indolent to search them out or at best a sort of platform insulin, a mind that digests material on behalf of minds incapable of digesting it for themselves. The lecturer is so subordinated to his subject and so preoccupied with his technique that no interchange of ideas between him and his hearers can occur. He must present his subject; he cannot place it in the world of general ideas. Above all, he cannot meet the student's mind.

Now all this is not true as stated. For much of the material of college

education no method of instruction better than the lecture system can be found; the theorists who would entirely do away with it ignore the hard realities of education. Furthermore, many excellent and even great teachers find the system completely adapted to them, and their students get more from them as lecturers than any other system would permit. Still, the fact of depersonalization cannot be questioned. The lecture system does insulate the student from the teacher, does formalize instruction and does prevent the direct contact of intelligences that is one of the most powerful leverages of education. This condition works the greatest hardship on the best students—men who do not need either a guide-book summary of facts or formal unification, being willing to get that much for themselves in a library, but who would profit from discussion and individual attention. These are the men, too, who find the machinery of recitation and examination most galling and who least need its drill-sergeant discipline.

The problem is that of the best student, as distinguished from the poor or merely average student. No college has yet tried to solve it by organizing itself for the education of good students only and refusing to retain all others. It may safely be asserted that no American college will ever make so forthright an attempt. The State universities cannot because of the democratic axioms on which they rest and the private universities have too great a need of endowments. Several attempts to solve the problem by assuming that all students are good students have already come to grief. Only one solution has made any realistic progress, the tutorial system, first instituted in America by Harvard and since adopted with various modifications by some eight or ten other colleges.

This system divides the student body into men who desire only the ordinary bachelor's degree and those who aspire to a degree with honors. It then relaxes, for the honors men, some of the requirements for the degree, but holds them to a more rigorous standard in the end. It modifies also the method of instruction by assigning a tutor to each honors man. (At Harvard all students, whether honors or pass men, have tutors during their last three years.)

So far, the relaxation of requirements for the degree has been almost wholly theoretical. Honors men, for instance, are permitted to absent themselves from classes at their discretion; but this freedom is usually a function of good grades and is accorded to any one who has the proper marks, whether or not he is a candidate for honors. The freedom to drop one or more courses—in order to do more work under the tutor—is but little exercised: comparatively few students apply for the privilege and, for obscure reasons, fewer still are granted it. Theoretically, the honors man is exempted from the routine discipline of texts, quizzes and examinations in his courses. Actually he never is. He must thus carry the full work and most of the parade-ground drill of the pass man and in addition the heavy obligations of the honors course. This consists, in realistic effect, of the necessity of writing a thesis in the field of concentration and passing, besides the final examinations, which every one is required to pass, from one to four other examinations, oral and written, which are designed to test knowledge in that field. The thesis and the special examinations are, effectively, the basis of the degree with honors.

It is clear that the honors system rests solidly on the experience of its predecessors; it will not assume that a good student can be trusted to do his work. Resting on a thesis and a series of examinations, the honors degree applies more rigorously the course system it was designed to modify. The emphasis is altogether on

successful passing of the examination; the degree with honors signifies only that its possessor has taken more examinations than the pass man.

That this modification is mainly an activity of the circumlocution office is made clear by other aspects of the tutorial system, of which the degree with honors is only a part. Harvard, for example, instituted what is known as the reading period and was rapidly followed by several other colleges. The reading period sets aside from ten days to three weeks of each semester —at one college it was, amusingly, three days—during which no classes are held. It is, in theory, a time when the student is permitted to educate himself—a period granted him for those intense intellectual enthusiasms which the routine of courses forbids him to gratify. Actually, he is assigned enough work in the strict material of his courses to make sure that he will have no leisure for independent study.

Similarly, the tutors are, in the main, mere assistants to the examiners, and tutorial work is only a supplement to the course system. It is here that the system comes to the crucial test.

The American tutors, remember, were created primarily to afford the student personal association with his teacher—to supply the individual attention and exchange of ideas that the lecture system forbade. Yet the most general criticism of them is that the attention they provide is routine and that exchange of ideas about anything but the immediate specialty they teach is forbidden by the system of which they are a part. It is well to say at once that much of their failure can be charged to a simple cause: personal insufficiency. In the main they are young men who take tutoring positions in order to support themselves while completing their work for graduate degrees, or while awaiting appointments that promise advancement. Their position is the lowliest on the faculty. Very few have the rank, even, of assistant professor; few professors are tutors and fewer still devote much time to tutoring; and in no American college is the position of tutor a permanent appointment or one that has the dignities and emoluments of a professorship. Inevitably, the position has become but a stop-gap to be forsaken when a place in the traditional hierarchy is available. A recent survey at Harvard disclosed the fact that the average tutorial term was three years. In consequence, the greater part of tutorial work is done by inexperienced, immature men who, as soon as they have learned their job, leave it.

Another evil results from the amount of work a tutor is required to do. It is probably true that all American college teachers are overworked, but it is quite certain that the tutors are the most overcrowded of all. True, the tendency is everywhere to reduce the number of men confided to a tutor's charge, but in some places he is still responsible for fifty students, and thirty would probably represent the general average. How is it possible for a tutor to meet more than twelve or fifteen men in weekly or fortnightly conferences, give them individual attention, and provide for them the priceless intimacy with matured and judicious intelligence which he theoretically exists to afford them?

Both these evils, however, can be overcome. A higher quality of tutors will develop when appointments are made permanent and as remunerative as professorships, and they will be more effective when their labors are cut down by employing more tutors or reducing the number of men granted tutorial privileges. But another evil is implicit in the system and can be eradicated only by profoundly altering its base. The system will continue to frustrate most of its own aims until it abandons or drastically modifies the examinations it now requires the honors man to pass.

Behind the tutorial system is the idea of the "liberal education." It is

unwise to attempt a definition of this term. Usually, in the fifty years' civil war that the American colleges have waged about it, it has meant the kind of education that its various upholders received as undergraduates. To the teacher of classics, it has meant Latin and Greek; to the teacher of science, it has meant physics, biology and the essays of Spencer and Huxley. Both, believing themselves liberally educated, have been sure that the liberal education was something quite distinct from professional training, although both have professionally practiced the subjects that liberally educated them. Through such conflicting ideas, three continuities are apparent. The liberal education provides intellectual training, avoids specialization, and gives the student a sufficient acquaintance with the whole field of thought to enable him to develop some sort of general ideas. There can be no question that the first of these objectives is accomplished by the tutorial system; the man who takes his degree with honors receives intellectual training of a very definite kind. But, in acquiring it, he is forced to forego the other two objectives. The system requires him to become a specialist.

The tutor is designed to be a teacher—his function is to assist the student in the intelligent acquisition of knowledge. The function calls for the highest type not only of knowledge but of wisdom also, and it implies possession by the tutor of qualities of mind rarely possible to a specialist. An ideal tutor would be a man without a specialty, a man who made omniscience his foible and existed primarily to educate, not to train. That is the theory. In fact, the tutor is obliged, because the whole necessity of his student is to pass examinations in his field of concentration, to spend his time drilling the student in the portion of that field which his courses have not covered. He exists wholly as an instrument of preparation for the culminating tests. He is a specialist and must work on the narrowest level of specialization. In the present system the tutor, whatever his qualifications, can be nothing but a coach. He cannot spare time for an unprofitable exploitation of intelligence — he is hired to get students past examinations.

The tutorial system is thus solidly established on a contradiction. Its effort is to free the most intelligent student from the restriction, routine and discipline of a system designed for average minds, so that he may more profitably embrace the opportunities for education that his college offers. But its effect is to clamp down on him more stringent restrictions, more galling routine, and stricter discipline. The examination remains, as in all other systems of instruction, the incentive to work and the sole criterion of success.

Such benefits as may accrue from early specialization are unquestionably secured by the degree with honors under the tutorial system. Just as unquestionably, the evils of premature specialization are inseparable from the present plan. A man who takes his bachelor's degree *summa cum laude* from Harvard today, for instance, has as good training in his specialty as is represented by the master's degree of all but a half-dozen universities. As an inevitable result of this pre-eminence, however, he has forfeited the remaining desiderata of liberal education. He knows his specialty, but he is ignorant of everything else. Fifteen years ago the bachelor's degree was awarded at Harvard on the completion of sixteen courses, six of which had to be in a field of concentration, and of the remaining ten, six more had to be distributed over three other fields. The best students could, and usually did, "distribute" more than the required six courses, usually in obedience to the "intellectual enthusiasms" that are so insisted upon by the theory of the new system. Today the requirement for concentration has been raised and

that for "distribution" lowered. The honors man need take only four courses outside his specialty and seldom dares to take more. His necessity is to get as much as possible in his field, so that he may make the best possible impression in his examinations. To this end also, the whole effort of his tutor is devoted. As a result the best student today knows far more about his specialty than his predecessor of fifteen years ago knew about the same field. Inescapably, however, he knows much less about other fields and so has missed much of the liberal education that his predecessor obtained. He has prematurely entered the graduate school—which is to say, his education has been professional.

One result at Harvard, where the tutorial system is most highly developed, is significant. Some tutors, when they first meet students who show intellectual promise and who have no need of immediate professional training, deliberately advise them not to become candidates for honors. For men of promise, these tutors believe, the liberal education is more available outside the honors system. A complete reversal of the values for which the system was instituted is apparent in this advice. Intended to provide better education for distinguished students, the system is already sometimes advising distinguished students not to enter upon it.

This curious dénouement proceeds from the ancient fallacy of democratic education, to which American colleges necessarily adhere. The intentions of the system are frustrated by the necessity of examinations, which is implicit in American education. The colleges cannot assume, and in three centuries have never been able to assume, that their students are sufficiently mature and sufficiently interested in knowledge to do their work without a disciplinary mechanism of penalty and reward. It is unquestionably demonstrated that the student body as a whole must be disciplined in that way. Intellectual responsibility and the postulates of democracy are irreconcilable. Nevertheless, the presence of this smaller group of distinguished students is a problem to which the disciplinary system has found no answer. The post-war tendency to improve the education of the best students has arrived nowhere in particular.

A satisfactory solution of the problem can come, I imagine, only from an abandonment of the whole mechanism of tests, quizzes and examinations. In particular, tutorial work cannot be made a liberalizing instrument until the final examinations, now dictatorially important, are dropped. While they remain, tutors must occupy themselves exclusively with coaching students for them. In order to give a distinguished student a liberal education the college must, as soon as it recognizes him as distinguished, begin to treat him as distinguished. If he is a superior person his desire for knowledge, his inability to escape acquiring knowledge, will provide enough driving force to keep him at work—he will not require the incentive of an examination three years away. If he is not required to pass that examination —which is always designed and administered by specialists in his field— he will have no need of premature specialization. If his tutor is sufficiently able he will have expert guidance, during those three years, through the domain of the liberal education. And if the college requires some basis on which to award the degree and is not content with its original diagnosis of distinction, the verdict of the tutor that his student is entitled to the degree will be sufficient.

Such a decision as this would contemplate merely the recognition of distinction and the provision for its encouragement of all the instrumentalities of the college, without the coercive and retributive forces now applied. It would necessitate a formidable improvement in the tutorial per-

sonnel, but this very necessity would abolish certain galling defects in the present system. A college would find it impossible, for instance, to obtain enough first-rate tutors to take care of 3,000 students. Even if first-rate tutors existed in that quantity, no college could afford to hire them. But the tutorial relationship contemplated by such complete enfranchisement of the best students means what it literally says: that only the best students would receive it. If the experience of all the colleges that have adopted the tutorial system means anything, it is clear that only distinguished students profit from tutorial work. It is a method of instruction valuable only to the best, and if the others were denied it the money so saved might provide better tutors for the best.

All this would imply, of course, a frank recognition of what is now furtive in the system, the cleavage between honors men and pass men, the division of the student body into intellectual castes. The colleges have been reluctant to take this realistic step because it violates the democratic principle that all men who want a college education are entitled to it on equal terms. Harvard, which has perhaps been more realistic than other colleges, has been deterred by the potential accusation of Anglomania; the university, by accident or design, has borrowed so much from Oxford that it is now diffident about seeming to appropriate anything more. But such a cleavage is part of the inevitable logic of evolution. The application of the tutorial system indiscriminately to all students vitiates most of its possible benefit to those who alone can profit from it. The colleges will be healthier when they abandon the attempt to reconcile intellectual distinction with democratic education.

Two facts must be borne in mind: the demands of the poor and the average student are legitimate demands, and only the distinguished student is really interested in liberal education. If a man comes to college to acquire the social mannerisms and tabus of the college-bred, he is asking for something which, America having developed no other proving-ground, the college is under obligation to provide. If he comes solely for training that allows him to enter a professional school, that also is a necessary function of the college. If he desires an education that will enable him to increase his possible income, his desire is legitimate and the college can have no choice but to satisfy it. But none of these motives bears on the problem of liberal education, and much that is impotent in the present system derives from our unwillingness to admit that they do not. For such men, the American experience has abundantly proved, the discipline of examinations is essential if the colleges are to accomplish anything with them.

For the others, for the distinguished students, the tutorial system, working in harmony with the other agencies of the college, provides the most promising method of instruction yet attempted in America. The promise is so far ineffectual because the necessities of a system designed for other kinds of students have been perpetuated in the new method. Further development seems unlikely until a frank abandonment of the democratic premise is made. The existence of a higher caste of intelligent students is, and always has been, a fact. But it is only by frankly recognizing its existence and enfranchising its members that the present instrumentalities of liberal education can be made fully effective.

Pitfalls of Soviet Planning

By ALZADA COMSTOCK
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TO those Americans who are fervent converts to the faith that a "planned economy" will lead their country out of chaos, the news from Russia is disconcerting. Transportation, the Soviet papers say frankly, is in a deplorable state of disorganization. A coal shortage is the occasion of the government's repeated appeals to the public to economize in fuel. The Five-Year Plan figures for iron and steel production in 1932 have been revised downward. The Autumn grain collections have been obstructed by the collective farms. And in December twenty-seven heads of supply trusts were arrested for "unwarranted displays of mismanagement."

Given the present state of the American temper, it is a bold prophet who would cry in the wilderness that the mere act of planning does not make Utopia; that acres of blueprints, thousands of statistical tables and a few sweeping gestures do not necessarily bring order and plenty into the life of a family, a city or a nation. Yet the facts are increasingly plain. National planning on a rigid 100 per cent basis has come to be as unwieldly as socialization on that basis—the "socialization of the toothbrush" which the West derided when the Bolsheviki first came into power. Just as the Soviet Government soon abandoned wholesale communism, so it is now losing sight of the original plan. Nation-wide planning has been discovered to be full of pitfalls, and into these the Soviet Government has fallen.

The major difficulties to which a planned economy has proved susceptible are three. First of all, the planning of output in detail by the Gosplan (State Planning Commission) and the government's insistence on fulfilling the assigned quotas have given Soviet factories the strongest of incentives to deliver imperfect or damaged goods whenever there is danger of falling behind the scheduled figures. In the second place, certain industries—chiefly "light" industries and manufacturers of consumers' goods—have been offered up on the altar of the Five-Year Plan figures; that is, they have been deprived of their raw materials, their coal, their labor and their freight cars, so that certain other industries—especially the "giants," the great iron and steel and other plants where construction work is dramatically conspicuous—may be helped to keep up with the plan. If the truth were known, the Soviet railroad system, which just now it is the fashion to blame for everything that has gone wrong in the Soviet Union, is in this respect more sinned against than sinning. Finally, whatever small degree of freedom is possible to labor in an industrial State has been sacrificed, just as minor industries and the transportation system have been sacrificed, to feed the greedy giants which for the time being are the chosen of the Kremlin.

These problems, implicit in nation-wide planning, are not to be confused with the minor mistakes which are to be expected in a country not yet industrialized. It is natural that some of the estimates should have been so far from the mark that they might as well have never been made at all.

Soviet oil production is now so far ahead of the plan figures that it influences, belatedly, the plan itself, instead of being guided by it. Oil production has handicapped the rest of the program, however, by demanding more railroad cars than any one had foreseen, and so doing its bit to disorganize the transportation system. Coal, on the other hand, was so far behind schedule in the first part of 1931 that the progress of all heavy industry was in danger. The average was such that the government could announce a satisfactory index of production for Soviet industry—a conclusion as unsatisfying statistically as that of the man who argued that his cross-eyed son and his wall-eyed son "averaged up as well as most people's boys." The errors, though enormous, are natural in a new country. A more experienced planning board could probably escape the worst of them.

Nor is human fallibility, bringing the likelihood of forgetting links in the chain of industrial production, a vital defect of national planning. The State Planning Commission has, to be sure, forgotten many things. It had the Magnetogorsk steel works erected in the Urals in a spot remote from coal and water. It has been found necessary to bring coal from the Kuznetsk Basin, some 1,500 miles away, and the transfer at first took fourteen days instead of the five as scheduled. Water is even more seriously lacking. As *Izvestia* pointed out last June, the Magnetogorsk plant would need as much water as the whole population of Leningrad. At first none was in sight. An artificial pond was built to supply a part of the requirements, but the construction of one of the buildings was started in such a way that it would fill in a part of the pond. The problem is to be solved by building a dam and creating a lake fifty miles from Magnetogorsk.

The railroads and foreign trade have also suffered from man's propensity to forget and to neglect parts of an unfamiliar task. It is reported that locomotives on the Turk-Sib Railway are falling apart because somebody failed to plan for repair shops and roundhouses. Plants are erected in areas which have no railroad service. "Transportation must be allocated before construction is undertaken," said C. S. Neel, an American metallurgical specialist, at a lecture in Moscow in December, "instead of, as now, being treated as a secondary matter. Any other alternative multiplies costs and makes operations unprofitable. Auto trucks, commonly used for transportation, involve huge expense. Railroads would unquestionably provide a more economical method, and since railroad lines will eventually be extended anyhow, their construction may as well begin now as later." But such advice has always fallen on deaf ears.

The Soviet transportation system is perhaps the chief example of man's weakness as a planner. It is incredible that the all-seeing State Planning Commission and the all-powerful Communist party should have neglected it to as great an extent as is now apparent. In 1931 carloadings were considerably under the plan figures. Movements of coal were delayed, construction materials and food supplies failed to reach the new works in the Urals, cotton shipments from Central Asia and timber shipments from the north country were held back, and even tractors were piling up at the factories. Still one more "purging" of the Commissariat of Transport was carried through, with no immediate results.

Another of the factors with which the State Planning Commission neglected to deal was the influence of a rising or falling price level in the countries with which it trades. When the general economic crisis came and world prices fell, Soviet Russia obtained less for its exports, while it was forced to continue to import machinery and other industrial goods,

an emergency for which the State Planning Commission was apparently unprepared. The adverse trade balance for 1931 is approximately $125,-000,000.

Even frequent and violent reversals of policy are not necessarily a sign of structural weakness. It must be admitted that the Russians are conspicuously agile in what the present government calls "zigzags." For instance, it was less than a year after the five-day continuous week had been advertised as the only efficient schedule for modern industry that a six-day working week with one general holiday was introduced. According to the doctrine of 1931, the six-day week makes it possible to decrease the cost of output, allow more time for repairs and maintenance, minimize irresponsibility and simplify control of piece-work.

Another "zigzag" is the introduction of wages according to skill and results. For fourteen years the Soviets labored to give to every man according to his need, not his skill. Anything else smacked of capitalistic slavery. Suddenly, in 1931, the "Leftist equalization of wages," as Stalin called it in his speech of June 23, became the mark of heresy. "We must not tolerate a situation where a steel worker receives the same wage as a sweeper, or a locomotive engineer the same as an office clerk," said Stalin. So, as rapidly as possible, the old wage scales have been discarded.

Such errors and slips and changes as these might possibly have been avoided; may perhaps be avoided, as the country grows in industrial and administrative experience. But the snares which lie in the plan figures themselves are not so easily to be escaped. Nation-wide interlocking plans, if the enthusiasm of the public is to be kept up, demand emphasis on output rather than quality. "Going over the top" is a slogan to which Russians, like Americans, are instantly responsive. But very few people's hearts beat faster when they are asked to improve the quality of their ingot steel or their porcelain insulating blocks.

The production of imperfect goods is already chronic in Soviet Russia. The machine and implement factories, especially, have yielded to temptation because they have been so hard pressed by the government. "Tractors —more tractors—catch up with the plan!" is shouted at them from all sides. Most of them have done the only thing they could do if they were to escape devastating "purgings": sacrifice quality to output.

In May, 1931, it was rumored that the Red Putilov plant in Leningrad was putting out defective tractors. The Red Putilov (under pressure) had "challenged" the delinquent tractor plant at Stalingrad to keep up with planned production. With this stimulus, Red Putilov had achieved a total output of 22,000 tractors, a fact duly announced in the press of the whole Union. Meanwhile reports were coming in to the effect that some of the tractors would not run.

So Miss Anna Louise Strong, editor of the *Moscow News* and a sympathetic writer on Soviet matters, took a group of young enthusiasts from the Society of Friends of Automobiles and Roads and went out to the tractor stations to see what was wrong. The group drew up a long report in the tenor of these excerpts: "The kerosene tanks of five new tractors leaked on the magneto distributers. These new tractors were out of commission on account of short circuits. Gas escaped past the spark plugs manufactured by the Soviet Trust *Patrubtrest*, * * * " and so on. The report of the expedition, given in *Za Industrializatsiu* for May 23, 1931, indicates that little escaped the earnest critics except the vital fact that Red Putilov had had no alternative. If tractors had to be manufactured in so great a volume in the Spring of 1931, they had necessarily to be defective.

The Stalingrad tractor plant has had similar difficulties with quality. This new factory, Soviet Russia's first big mass production plant, opened on May 1, 1930, was supposed to turn out 37,500 tractors before Oct. 1, 1931, and 50,000 a year after that date. The plant had trouble from the start. When the writer first visited it, three months after production was supposed to begin, most of the departments were idle and the little work in process was being done largely by hand. Pressure for "production—more production!" has been continuous. Red Putilov's challenge to Stalingrad is an example of the methods used The plant was investigated over and over again by "brigades" and committees until in desperation it was apparently willing to turn out almost anything that could run along the ground. Finally, by the Autumn of 1931, daily tractor output caught up with the schedule.

With the increasing output came quality problems. *Pravda* for May 21, 1931, gave an account of the defects discovered in Stalingrad tractors. The criticism was softened for the sensitive Russian mind by a cheerful description of the shiny new tractors which were leaving the Stalingrad plant by dozens every day, and the usual prophecy that they would prove to be better than the American machines. The entire country, the paper observed, was watching the output figures of the Stalingrad plant. It is significant that "the entire country" was little interested in quality while the drive for more tractors was going on. The record of defects in the tractors, said *Pravda*, "already filled two folders." Poorly tightened nuts and bolts, unadjusted front wheels, wholesale breakage of valve springs, absence of tools, leaking radiators, poorly cast cylinder heads, loose bearings and unsatisfactory threads for spark plugs were the defects which led the list. But *Pravda* left the significant comment unspoken. Stalingrad had no alternative. Output must come first.

The question of the poor quality of the output of Soviet industry is not only urgent in itself, but it is also a factor which vitiates a great deal of Soviet production and income statistics. According to a study recently published by the Russian Department of the University of Birmingham, England, "the fundamental shortcoming of all calculations of the national income of the U. S. S. R. lies in the failure to recognize the decline in the quality of the goods and the commodities produced." As evidence, it is suggested that whereas the production of galoshes from the factories of the Soviet Rubber Trust in 1928-29 showed a quantitative increase of 48 per cent above the 1913 level, the true figure, corrected by the comparative durability of pre-war and post-war galoshes, would be a 29 per cent decrease below the 1913 level.

The second ill to which a planned economy has proved susceptible is the distortion of the whole productive organization for the sake of the industries or plants—the "giants," as the Russians are calling them just now—which have been selected as most important. "Going over the top" is most urgent for the great construction works about which the whole Russian people know, of which they see posters and photographs, which they may actually visit, with the aid of excursion rates and enthusiastic guides. The giants must not fail. They must have everything—steel, coal, railroad cars, labor, credit. It is for this reason that light industry has dropped so far behind the plan. Obviously policy could not be otherwise if the popular enthusiasm is to be held.

This is the way it is worked: a campaign is going on for the assistance of, say, the Magnetogorsk and Kuznetsk iron and steel works, which were scheduled to open in several departments on Oct. 1, 1931. Some of their equipment has not yet been delivered. In the provincial city which manufac-

tures a certain part of the equipment the city soviet and the local newspaper send a committee to the equipment factory. The members of this committee demand to see the factory's orders. With their own hands they sort out the orders for Magnetogorsk and Kuznetsk and demand that they be filled first of all. They cast aside orders for all other plants, even though—if the facts were known to their untrained minds—they may be discarding links in the very chain which feeds Magnetogorsk and Kuznetsk.

Anna Louise Strong herself has described the effect of the "heartbreaking delays" in getting material which certain plants experience, in an account in the *Moscow News* for Nov. 22, 1931, of the building of the new Cheliabinsk tractor plant. She quotes Mr. Spencer, an American engineer at work on the project, as saying: "We were ready for steel construction in the forge by August, 1930. But we got our first steel only in June, 1931." The difficulty came from the fact that the steel plant was "swamped with demands from bigger jobs than Cheliabinsk, and that these construction jobs, such as Magnetostroi, took more trouble to keep on the job demanding steel."

It is characteristic of the Russian—this burst of enthusiasm for a great project, this brushing aside of all other considerations with a sweeping gesture. There seems to be no Slav Benjamin Franklin to warn, with a "For want of a nail the shoe was lost."

The cotton textile industry was one of the earliest and most important sacrifices to the giants. Other instances of neglect of subsidiary plants or products are almost innumerable. To mention a few: a lack of oil cans caused the stoppage of ten conveyors at Kuznetsk in August, 1931. The Ford cars scheduled to be manufactured at the Nijni Novgorod plant beginning on Nov. 1, 1931, were threatened with "traveling blind," because the headlight manufacturing company, Electrozavod, had been denied materials. Bolts and rivets were lacking at the Nijni Novgorod factory for a similar reason. Shoe machinery has been standing idle for lack of parts, a difficulty which in turn is due to the diversion of metal to the giants. And the railroads, the universal scapegoats for deficiencies in production, have at last been able to prove that much of the fault lies with the steel plants which have failed to supply them with rails, bolts and spikes (which of course is due to the diversion of metals to the giants). Benjamin Franklin would add, "For want of a horse the rider was lost."

Consumers' services have been dislocated to such an extent that it will now take months and years to restore them. A shortage of food, clothing, housing and household furnishings has become a familiar story to the Russian since 1927, the last year of unrationed commodities. The milk situation in Moscow is typical of the whole. According to the plan figures the city of Moscow should receive 14,000 cans of milk a day. *Pravda* reported on Aug. 4, 1931, that the actual daily supply was only a little more than a third of that amount. The interminable standing in line which the scarcity of necessary commodities has produced is not only an inconvenience but an actual loss to the country. A competent Western observer has estimated that the total number of hours spent by Russians in queues is about the equivalent of the total number of hours spent in factory work. In any true accounting this loss of productive time is a tribute exacted by the plan.

Labor, too, has been sacrificed to the giants. The control of the working force of the Soviet Union by the government has been progressively tightened in the course of the last two years. The new policy showed its head in February, 1930, when refusal to do loading or unloading work was declared to be cause for striking a

man off the employment register and refusing him unemployment benefit. In the following September any general exodus from unloading work which "caused a disorganization of the plan" was made liable to prosecution. Unemployment insurance was abolished in October and it was decreed that "no excuse for refusal to work, with the exception of illness supported by a medical certificate, should be considered." Unemployed persons were henceforth to be drafted for all kinds of work. A decree of Dec. 15, 1931, further defined the measures necessary for the struggle against labor turnover.

Early in 1931 all persons competent to undertake railroad services were "mobilized" under an order signed by Commissar of Labor Tsikhon and Commissar of Transportation Rukhimovich. A second "mobilization" came in the late Summer and early Autumn when there was a general rounding up of labor to be shipped to the less popular mines and construction camps.

In November, 1931, the government found it necessary to quash the ambitions of a conference of factory foremen who complained about the decline in the purchasing power of wages and urged an all-round increase for the lower grades of labor. After three days of argument the government representative put the working men in their places. They must not speak again of a "labor crisis," he said, for crises were unknown in the Soviet Union; and they were not to ask again for the extension to all industries of the recent wage increase in the coal and metal industries, for the reason that coal and metal were privileged branches of production, and any wage increases which were granted them would certainly not be given to other industries.

The conference ended after its members received urgent but distasteful orders to increase production by extending the system of graduating rations according to the work done—a Spartan version of the scheme of payment by results—and to exercise stricter discipline. As a result of increased production per man, it would be possible to dismiss a part of the working forces. The Leningrad electric plant was told to dismiss 1,000 men, and the Skorohod shoe factory was requested to discharge 3,000. Other factories were given corresponding recommendations. So ended the appeal of workers to a workers' government for higher wages. Only those few who work for the giants, the chosen of the plan, may have the rewards.

It would be a superhuman planning committee which could avoid these pitfalls. Intelligence and imagination of that order are not to be expected in our time.

Woodrow Wilson's Fight For Peace

By JOSEPH WARD SWAIN
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WHAT were the reasons that led the United States to enter the World War? Some writers and publicists have found the explanation in Anglo-French propaganda, fear that a German victory would cause the loss of the money we had lent to the Allies, and Woodrow Wilson's pro-British prejudices. But recent revelations make it possible to state definitely that none of these things was of importance in determining President Wilson's policy. Others may have urged war for these reasons, but not Wilson. The material now available for the first time makes it clear that during the Fall of 1916 President Wilson was as impartial as any man in the world and that his one ambition was to stop the fighting. At first he did not consider the resumption of unrestricted submarine warfare a cause for war, nor, at the very first, for even a breach of diplomatic relations. Most surprising of all, we now learn that during February and March, 1917, after diplomatic relations were severed, Wilson continued to make tremendous efforts for immediate peace in Europe in order that America might not be dragged into the war. During those dark and trying days the President left no stone unturned in his efforts to keep us out of war.

The most important of the new revelations are to be found in the first supplementary volume of the *Foreign Relations of the United States,* 1917 (Washington: Government Printing Office, 1931), which completes the publication of the State Department's correspondence covering the period of American neutrality. Further light has been shed recently on this dark period by the publication of a brief memorandum written by Secretary Lansing on Feb. 4, 1917. These documents supplement what was known already from public information at the time, from the memoirs of various American politicians and of Ambassador von Bernstorff, from the correspondence and voluminous testimony published by the German Reichstag's Investigating Committee, and above all from the *Intimate Papers of Colonel House.* The private papers of Woodrow Wilson will undoubtedly add further information; but as the recently published volumes of the *Life and Letters,* by Ray Stannard Baker, carry the narrative only to August, 1914, it probably will be several years before Mr. Baker's account reaches the last days of American neutrality. Only then will it be possible to write a definitive history of the time; but the materials now available make it possible to trace the general outlines of what happened.

The widely used slogan, "He kept us out of war," re-elected Woodrow Wilson to the Presidency in 1916. He was well aware of this himself and interpreted his victory as a popular endorsement of his policy of neutrality. He said to Colonel House on Jan. 4, 1917: "There will be no war. This country does not intend to become involved in this war. We are the only one of the great white nations that

is free from war today, and it would be a crime against civilization for us to go in." Nearly two months later, when diplomatic relations with Germany had been severed and Wilson was asking permission to arm American merchant vessels, he said to Congress (Feb. 26): "It is devoutly to be hoped that it will not be necessary to put armed force anywhere into action. The American people do not desire it." Woodrow Wilson clearly believed that he had a mandate from the American people to keep them out of war.

This mandate, moreover, was quite in conformity with his own wishes. His personal sympathies apparently had been somewhat pro-British at first, and he felt strongly against the Germans during the protracted Lusitania crisis. But the controversy with Germany died down during 1916 and British interference with American rights became more annoying. Wilson's feeling against the Germans then subsided. Count von Bernstorff, the German Ambassador, noted this change at the time, and comments upon it in his memoirs. But it was only with the publication of House's papers that we learned how angry Wilson was with the British, and how seriously the Colonel's own enthusiasm for them was deflated in the Fall of 1916. The seizure of American mails and the "black list" tried Wilson's patience, until at last he persuaded Congress to grant him power to levy an embargo, if he saw fit, in retaliation (Sept. 8, 1916). A few days later Wilson and House were discussing their difficulties with Great Britain. House attributed them to America's growing navy and her expanding commerce; the President replied: "Let us build a navy larger than theirs and do what we please!" House noted in his diary (Nov. 17): "I will confess that the Allies are irritating almost beyond endurance." When the new Austrian Ambassador, Count Tarnowski, wished to sail for America the Allies refused him a safe conduct until Secretary Lansing tartly reminded them (Nov. 28) that the United States was a sovereign State with the right to maintain diplomatic relations with any nation it desired. President Wilson had been prepared to send an American warship to get Tarnowski if the Allies had not backed down.

Wilson's criticism of the Allies went much further than House's, for he expressed grave doubts about the idealism with which they bolstered up their cause. House had remarked to Ambassador Page that "we resented some of the cant and hypocrisy indulged in by the British, for instance as to Belgium"; but Wilson went so far as to declare that the aims of the two sides in the war were virtually identical. House was greatly distressed at this, and complained in his diary (Dec. 20) that "he seems completely obsessed by that thought, and he cannot talk or write about the war without voicing it." At the end of 1916 Wilson was thoroughly disillusioned about any idealism in the war.

The President therefore gladly accepted the mandate to preserve American neutrality, and as soon as the election was over he began formulating a plan to bring peace. He was being warned by Ambassador Gerard in Berlin that unless the war ceased the Germans would renew unrestricted submarine warfare in the Spring; it was clear to every one that if they did so it would be almost impossible to preserve American neutrality longer. President Wilson therefore made haste. He prepared a note to all the belligerents asking them to state their peace terms and expressing a hope that if such terms were stated it would appear that they were not so irreconcilable as some had feared. Before the note was published the Germans issued their announcement that they were now ready to enter a peace conference (Dec. 12). Wilson was annoyed by this move, but he issued his own note notwithstanding (Dec. 18).

This note of Wilson's received

favorable attention everywhere. The reports sent to Washington by American Ambassadors and now published in *Foreign Relations* show that, although German conservative newspapers denounced it as the work of a busybody anxious to cheat Germany out of her just rewards and to save Great Britain from her merited punishment, the liberal papers spoke well of it. The German Foreign Office expressed "great satisfaction" at his "wise and high-minded action," but it did not accept Wilson's invitation. On Dec. 26 the Central Powers repeated their statement that they were willing to enter a peace conference at once, but they failed to give the specific terms that President Wilson had requested. The British greeted Wilson's note with what Page called "surprise and sorrowful consternation" that such a man as he should fail to recognize their vast moral superiority over the Germans. Page reported that King George had burst into tears at the thought. The other Allies were no more cordial, but they returned a joint reply (Jan. 10, 1917), in which they stated their war aims. After declaring their belief that it was impossible at the moment to attain the peace to which they were entitled, protesting their own innocence, and rehearsing various atrocities, "crimes" and "horrors" which they attributed to the Germans, the Allies presented an idealized version of their secret treaties and made it clear to those who could read between the lines that they would be content with nothing less than the dismemberment of Turkey and Austria-Hungary and the crushing of Germany. On Jan. 13 Balfour, the British Foreign Secretary, forwarded a letter to Washington in which he restated the general position of the Allies, defended the partitioning of Turkey, and declared that he did not believe "peace can be durable if it be not based on the success of the Allied cause."

As soon as the German reply was received, President Wilson and Colonel House began to plan another step. On the next day (Dec. 27) House urged Bernstorff to secure a specific statement of peace terms and suggested to him "the advisability of having his government take a stand on the high ground of permanent peace." Bernstorff agreed that such a course was desirable. On the same day House wrote to Wilson proposing that he set forth in a speech the main lines upon which a stable peace might be drawn and which the United States would take part in insuring. A week later (Jan. 3) the two men talked the matter over at length; a first draft of the speech was ready on Jan. 11; the final version was cabled to American Ambassadors abroad on Jan. 16; and six days later it was read to the Senate. This was the celebrated "peace without victory" speech.

A few days after this speech was delivered, House sent for Bernstorff and, according to the latter's report to Berlin, "gave me the following message from the President, stating it to be official: Wilson offers in the first place, in confidence, peace mediation based on his message to the Senate; that is, without interfering in the matter of the territorial conditions of peace." Wilson also again asked the Germans, not confidentially, for their peace terms. House said that Wilson was of the opinion that his message to the Senate was in accordance with the German views, and that he hoped the Germans would say so publicly when presenting their peace terms. The President believed that if the German terms were reasonable he could force the Allies to enter a peace conference. House therefore urged Bernstorff to persuade his government to trust Wilson and accept the conference. Writing several years after the war, Viscount Grey declared that, if the Germans had accepted Wilson's proposal, "the Allies could not have refused." Perhaps Grey was right. At any rate, the evidence now available indicates that House had

high hopes and that Wilson was absolutely convinced that at last he would bring peace within a very short time.

Another remark which House made to Bernstorff on this occasion is worthy of attention. Bernstorff reported him as saying that the Allies "had publicly announced their peace terms, which were impossible of acceptance; that, in direct opposition to this, the President had thereupon announced his program." A comparison of dates shows that this statement was not quite accurate, for the first draft of Wilson's speech was completed before the Allies' terms were received. Yet the more one studies the situation the more one becomes convinced that the statement was essentially true—that the "peace without victory" speech was intended to show Wilson's disapproval of the Allies' war aims. It was only a coincidence that the phrase which has ever since given the speech its name was a direct contradiction of the most striking phrase (quoted above) in Balfour's letter—which, we now learn, did not reach Wilson until the very day that the speech was put on the cable. But Wilson had strong suspicions of what the Allies wanted; and Lloyd George ever since he had become Prime Minister, a month earlier, had been talking about a "knockout." Wilson's disapproval of the Allies is also shown by the difficulty House found in persuading him to eliminate from the peace note and the speech phrases which, he prophesied, would make the Allies "frantic with rage." The struggle of Wilson against the principles underlying the secret treaties, which reached its climax at Paris two years later, was thus begun even before America entered the war.

President Wilson's confident hopes of peace were brought to naught by the renewal of submarine warfare. The Germans took their fateful decision on Jan. 9, 1917; Bernstorff received the news ten days later that the new warfare would begin on Feb. 1. Bernstorff at once urged his government not to take this step, or at least to postpone it. When forwarding House's offer of mediation he again urged delay. Bethmann-Hollweg, the German Chancellor, replied on Jan. 29, accepting the mediation and forwarding the peace terms which Germany and Austria had agreed upon in November, and which they would have presented at the peace conference they proposed on Dec. 12. There can be little doubt that Bethmann-Hollweg was sincere in his reply. He had always opposed unrestricted submarine warfare, and was clutching at any straw to end the war. The Vice Chancellor testified to the Reichstag Investigating Committee in 1919 that he had rarely seen the Chancellor "in such a state of contained excitement as on the 28th of January, when this bare prospect of making peace, after all, was presented." He was not very hopeful, however, and he later told Bernstorff that if he had presented this proposal to the Reichstag it would have "thrown him out." Bernstorff was ordered to present the acceptance of mediation and the peace terms only on Jan. 31, when notifying the State Department of the renewal of submarine warfare.

The manner in which the Germans announced their new warfare was as ill-advised as possible. The official statement was made to take the form of a reply to Wilson's speech, the underlying principles of which the Germans professed to accept. They then proceeded to justify their new step by referring to British misdemeanors. Thus they did much to convince the American leaders of their insincerity. The situation was made worse, as the new documents show, when a cable arrived from Ambassador Gerard (Feb. 5) giving a more stringent set of peace terms and saying: "If Bernstorff has given the President any other terms he is fooling him." As a matter of fact, the basis of each version was the same, but Gerard's was

in more unvarnished form and looked worse—even as the secret treaties of the Allies looked worse than the idealized version given on Jan. 10, though at bottom the two versions said much the same thing.

Bernstorff delivered his message to Secretary Lansing at a little after 4 o'clock on the afternoon of Jan. 31. The papers were immediately sent to the White House, but President Wilson did not see them until after 8 o'clock. He then conferred with Lansing for nearly two hours. Lansing has described Wilson's first reactions in a remarkable memorandum written down four days later and published in the *Saturday Evening Post* of Aug. 8, 1931. Though "deeply incensed," Wilson was not sure what should be done. He spoke of the necessity that America should restore the nations ravaged by the war. "He said that as this idea had grown upon him he had come to the feeling that he was willing to go any lengths rather than have the nation actually involved in the conflict." When Lansing argued that if we did not break with Germany we would be treated with contempt by both sides, Wilson replied that he was not sure of that, that "he would be willing to bear all the criticism and abuse which would surely follow our failure to break with Germany; that contempt was nothing unless it impaired future usefulness; and that nothing could induce him to break off relations unless he was convinced that, viewed from every angle, it was the wisest thing to do." In the course of the discussion "the President showed much irritation over British disregard for neutral rights." But before Lansing went home it was decided that he should prepare the draft of a note to be used in case it was decided to break with Germany.

The next morning House arrived from New York. He recorded in his diary that he found the President "sad and depressed." "He was greatly disappointed at the sudden and unwarranted action of the German Government. * * * The President was insistent that he would not allow it to lead to war if it could possibly be avoided. He reiterated his belief that it would be a crime for this government to involve itself in the war to such an extent as to make it impossible to save Europe afterward." Lansing presently arrived and the three men agreed that it would be best to send Bernstorff home, though Wilson reached no formal decision.

On Feb. 2 the Cabinet sat for two hours discussing the crisis, but the discussion was "very general." The next morning Wilson notified Lansing that he had decided to break with Germany and at 2 o'clock that afternoon, as Bernstorff was receiving his passports, Wilson told Congress what he had done. After reviewing the submarine controversy and reading the German announcement, he declared: "I refuse to believe that it is the intention of the German authorities to do in fact what they have warned us they will feel at liberty to do. * * * Only actual overt acts on their part can make me believe it even now." If, however, he found that he was mistaken, he would later ask Congress for authority to protect American commerce. He again expressed an idea fundamental to his diplomacy —"We are the sincere friends of the German people." In closing he declared that he remained firm in the principles set forth on Jan. 22. "These are the bases of peace, not war. God grant that we may not be challenged to defend them by acts of wilful injustice on the part of the government of Germany!"

A few days after Bernstorff had received his passports a curious incident occurred, upon which the new documents shed a little more light. On Feb. 10 the Swiss Minister presented a memorandum stating that Germany was still willing to negotiate formally or informally with the United States, provided the blockade of Great Britain were not broken

thereby. It now appears that the moving spirits behind this move were the president of the American Peace Society and a German newspaper correspondent. The move led to nothing, of course, yet Lansing's refusal is not without interest. He replied (Feb. 12) that he could not enter into discussions "unless and until the German Government renews its assurances of the 4th of May and acts upon those assurances." The American Government was apparently willing to resume diplomatic relations if submarine warfare ceased.

All the evidence thus goes to show that Wilson severed relations with Germany most reluctantly and that it was his ardent desire that America should not be called upon to fight. Even after diplomatic relations had been severed he continued to cherish this hope. But it was very evident that if the war did not stop at once America could hardly remain passive. Wilson therefore launched two new peace drives during February. One of them was known, though often misunderstood, at the time, but is now put in its true light; regarding the other, very little information was available before the appearance of this volume of *Foreign Relations.*

The first of these moves was an appeal to all neutrals to follow the course adopted by the United States. As early as Feb. 2 Wilson had discussed with Lansing the possibility of securing identic action by other neutrals in case of a break with Germany. The next afternoon a circular telegram was sent to the American representatives in all neutral countries announcing the break with Germany, declaring that the President considered the course taken to be in conformity with the principles enunciated by him on Jan. 22 and stating that "he therefore believes that it will make for the peace of the world if the other neutral powers can find it possible to take similar action to that taken by this government." None of the other neutrals was willing to accept the President's suggestion; they merely protested at Berlin.

At first glance it may seem that this was an attempt to prepare the other neutrals to join the Allies along with the United States and thus make early victory more certain. It is more probable, however, that it was an attempt to show the Germans the hopelessness of the struggle and thus induce them to make peace before the United States was forced to enter the war; it was another attempt to keep America neutral. Bernstorff recognized Wilson's true purpose and suggests that he hoped to bring peace by strengthening the blockade. The German Ambassador ordinarily had a keen insight into Wilson's mentality, but in this instance he seems to have been wrong. Wilson was not thinking of the blockade but of the German people. As in all his diplomacy, from the first Lusitania note to the armistice negotiations, he appealed beyond the German Government to the German people, hoping to persuade them to force their government to change its ways; he hoped to induce them to stop submarine warfare by showing them the horror with which the whole world regarded it. Mediation by still neutral America could then end the war. It is worth noting, too, that the neutrals were not invited to support the Allies' peace terms of Jan. 10, which could be secured only by "the success of the Allied cause"; they were explicitly invited to support the principles of Jan. 22, that is, "peace without victory."

Wilson's second peace move, now made known for the first time, was conceived in somewhat the same spirit. Ambassador Penfield had been notifying Washington of the desperate plight of the Austrian Empire and of her desire for peace. Wilson then decided to attempt to bring Austria into a separate peace—and thus discourage the German people before America lost her neutrality. He therefore refused to sever diplomatic relations with Austria and

opened negotiations with the Allies to persuade them to reduce their plans for dismembering her. On Feb. 8 Lansing instructed Page (in a telegram obviously written by Wilson himself) to take the matter up with Lloyd George at once. Wilson, the telegram read, was "trying to avoid breaking with Austria in order to keep the channels of official intercourse with her open so that he may use her for peace." It declared that America's effort "will be constantly for peace even should it become involved itself." The telegram then went on to say that the President believed that "were it possible for him to give the necessary assurances to the government of Austria, which fears radical dismemberment and which thinks that it is now fighting for its very existence, he could in a very short time force the acceptance of peace upon terms which would follow the general lines of his recent address to the Senate." Wilson hoped that the Allies would make it possible to assure Austria against dismemberment. In closing, the instructions declared that "the present enthusiastic support which the people of the United States are giving his foreign policy is being given, it is very evident, because they expect him to use the force and influence of the United States, if he must use force, not to prolong the war but to insist upon those rights of his own and other people's which he regards and they regard as the bases and the only bases of peace." Again he opposed Jan. 22 to Jan. 10.

Page took the matter up with Lloyd George, who did not look upon the President's request with favor and who gave the impression that he would consider no peace terms except "a *bona fide* proposal officially made by Germany." Ten days later, however, Lloyd George had changed his mind (under pressure from the navy, Page believed) and said that he would consider a separate peace and allow Austria to keep Hungary and Bohemia. This was less than Wilson had hoped for, but Lansing instructed Penfield (Feb. 22) to notify Czernin, the Austrian Foreign Minister, that the Allies did not wish to take these provinces from Austria and that if he would indicate a desire for peace on these terms, the United States would be glad to lend her services.

It happened that at this moment the new Austrian Emperor, Charles, was conducting secret negotiations for peace with France—of which the Americans knew nothing—through his brother-in-law Prince Sixtus of Bourbon-Parma. The basis of this negotiation was much more favorable to Austria, which would have been allowed to keep practically all its pre-war territory. Charles was apparently willing to make a separate peace, which encouraged the French—and Lloyd George when he heard of it, toward the end of March—to be very liberal with him. But the Italians refused (April 19) to accept less than they had been promised by the Allies, and Charles would not consider such sacrifices. The Austrians were, therefore, little inclined in February to listen to the American proposals by which they would have given up their Italian, Serbian, Rumanian and Polish provinces. Czernin knew very little about the Sixtus negotiations, and later declared that he had never considered a separate peace. The new American documents tend to substantiate this declaration, for he frequently repeated to Penfield at the time that he would consider nothing but a general peace. Wilson's second peace move thus met with failure.

Though Wilson's efforts came to nothing, they show sufficiently well that throughout the month of February, 1917, he hoped that America might find a way to avoid war with Germany. The submarine warfare continued, however, and the sinkings grew more numerous. In accordance with his promises of Feb. 3 Wilson therefore went before Congress again on Feb. 26 and asked for power to

arm American merchant vessels. But he expressed the hope that it might not be necessary to resort to force: "I am not now proposing or contemplating war or any steps that may lead to war." But two days before this the British had handed Ambassador Page a copy of the Zimmermann note to Mexico; the first American lives were lost with the sinking of the British liner Laconia (Feb. 27); an American vessel was sunk on March 12, but without loss of life, and on March 19 three American vessels were sunk with the loss of fifteen lives. It was clear that America could not remain neutral much longer.

We do not yet know definitely what was passing in Wilson's mind during these last days. He confided in no one and, until his mind was made up, his closest associates had no idea of what he was going to do; it is doubtful if even his private papers will show conclusively what he was thinking. But we can be sure that the impossibility of neutrality was being impressed upon him, and we can be equally sure that Wilson was not the man to be dragged into the war by his heels. If he entered the war at all he would enter it erect. He would try to remain master of the situation and guide it to the advantage of his larger purposes. When he became convinced that war was inevitable, he decided to lead the people into it himself and make it a war for his own purposes rather than be dragged into a war for purposes which he did not approve. Whatever his reasoning may have been, Wilson sent for House on March 25 and told him that the decision was made.

Congress was then asked to assemble on April 2. On the evening of that day Wilson made the greatest speech of his life. After briefly reviewing the history of the submarine warfare, which he characterized as "warfare against mankind," and declaring that "there is one choice we cannot make; we will not choose the path of submission," Wilson asked Congress to declare war. But he immediately went on to say: "Let us be very clear, and make very clear to all the world, what our motives and objects are." He had exactly the same things in mind now, he said, as when he made his "peace without victory" speech. He declared that "we have no quarrel with the German people," but only sympathy and friendship for them. The quarrel was with the German Government, whose activities were such that democratic governments could never be safe while it existed. "The world must be made safe for democracy." "It is a fearful thing to lead this great, peaceful people into war," he declared, and he closed with a (perhaps unconscious) quotation from Martin Luther, "God helping her she can do no other." Congress declared war on April 6.

As already pointed out, the full history of these months can be written only after the publication of Wilson's private papers; perhaps everything will not be made clear even then. But the material now available justifies a few general conclusions. There were many people in America during the Winter of 1916-17 who wished to enter the war for one reason or another, but Wilson was not one of them. The majority of the people followed him in wishing to remain neutral. Many of these people continued to agree with Wilson in February, 1917, that America had done enough in severing diplomatic relations with Germany; but two months later they allowed Wilson to lead them into war. Wilson's personal decisions were, therefore, of paramount importance. And if we cannot yet state definitely all the reasons leading him to his decision, we are safe in saying that certain considerations never entered his head. The documents now available make it perfectly clear that Wilson did *not* go to war because he had been bamboozled by the Anglo-French propagandists *or* because he wished to save the British Empire *or* to secure our loans to the Allies.

The Nation's Clearing House For Labor

By OLIVER McKEE JR.

NO sooner had President Hoover, on March 7, 1931, vetoed the Wagner bill to set up a national employment system than he ordered a reorganization of the employment service in the Department of Labor, placing at its head John R. Alpine, an officer of the Grinnell Company, who had formerly been a vice president of the American Federation of Labor. For the current fiscal year Congress has appropriated $880,000 for the reorganized service, which in the first nine months has made directly 790,522 placements. As expanded and reorganized this service represents the administration's part in the national drive for jobs, and is in effect Mr. Hoover's answer to charges that by vetoing the Wagner bill he prevented the Federal Government from assuming any responsibility.

The entry of the Federal Government into the employment field is comparatively recent. During the industrial slump of 1914 half a dozen bills were introduced in Congress to set up a Federal system of employment agencies, but none was passed. The public hearings, nevertheless, directed attention to a definite need. Many States and cities soon afterward established employment bureaus of their own. In 1917 the World War again showed that an adequate Federal employment service was necessary to supplement the operations of local and private exchanges. During the war period between 800 and 900 Federal employment offices were established in all parts of the country and not only proved of great value at that time but also during the demobilization period, when 4,000,000 soldiers and sailors returned to civil life. Yet the system was regarded as essentially emergency in character. In 1919 the Department of Labor called a conference of State and Federal officials to devise plans for employment bureaus on a national scale. This conference recommended that the emergency service be made a permanent division of the Department of Labor, and its recommendations were embodied in the Kenyon-Nolan bills, introduced in Congress in 1919. President Wilson strongly supported this legislation, but Congress, by refusing to vote the appropriations, kept the service on a skeletonized basis. Since then, handicapped by lack of funds and legislative backing, it has remained largely an information and fact-finding agency rather than an organization whose chief purpose has been actual placements.

The issue remained a live one. In 1920 the second industrial conference, which was called by President Wilson and of which Herbert C. Hoover was vice chairman, recommended "the enactment of appropriate legislation by Congress, making provision for an employment clearing house, under Federal control," cooperating with the State bureaus. Again, in 1921, the President's Conference on Unemployment, after citing the deficiences of the existing service, asked for "an adequate and permanent system of employment offices." In 1929, after

extended hearings, the Senate Committee on Education and Labor suggested that the Federal Government provide the agency to coordinate public employment bureaus and "to assist in any national functioning of the unemployment exchanges."

In 1930 both Senate and House committees held hearings on the bill introduced by Senator Robert Wagner of New York for a national system of employment exchanges. The Wagner bill provided for the abolition of the existing service, an annual appropriation of $4,000,000 for four years as Federal aid to the States, and the appointment of a Federal director vested with broad powers to regulate the operation of the State exchanges. Many students of labor problems supported the Wagner bill, but the National Association of Manufacturers and Senator Hiram Bingham of Connecticut, in addition to others, attacked it because of what they held were serious defects inherent in the measure. Congress, however, passed the Wagner bill in 1931, just before the session ended on March 4. President Hoover vetoed the bill, finding in it many objectionable features, particularly the provision abolishing the existing employment service of the Department of Labor. A letter from Secretary of Labor Doak, appended to the President's veto statement, set forth in detail the administration's objection. Then followed the appointment of John R. Alpine as head of a reorganized service, the opening of many new branch offices and a campaign to find employment opportunities in all parts of the country.

As it existed in March, 1931, the employment division of the Department of Labor was quite inadequate to meet the demands made upon it by the slump in industry. Skeletonized in its organization, it was mainly an information service, gathering data on conditions and opportunities, though it gave some special attention to placing farm laborers and World War veterans. With between 6,000,000 and 7,000,000 men and women out of work, obviously something more than information was needed if the Federal Government was to play a part in dealing with the problem. In passing the Wagner bill Congress exposed its own views plainly enough; upon the Federal Government, in its judgment, rested a real and inescapable duty. Nor did the administration seek to evade its responsibilities. Immediately after the President vetoed the Wagner bill and set the Federal machinery in motion to find jobs for the unemployed, actual placement work became the order of the day. Beginning on April 1, the Federal officers have been looking for jobs for the applicants registered with them, just as the private agencies do for their clients, but unlike the private agencies, the government offices charge no fees.

The initial task was to expand the facilities of the old employment service in order that the whole country might be combed for jobs. A director was appointed for each State. These directors and their assistants have been chosen for their practical experience—men who speak the same language as the unemployed and who knock at the door of every potential employer and leave no stone unturned that might lead to a place on another payroll. The range of inquiry runs from factories and industrial plants to hotels, banks, business houses and contractors. Because no opportunities seem to lie in the gift of a potential employer this does not mean that he is not worth approaching, and more than once. A sudden change in industrial conditions, a shift in popular taste or demand, may create an unexpected opening or two; and just as a man in search of work may find work after he has called four or five times on the same employer, so the Federal prospectors, in trying to list all the possible vacancies in their districts, have found that persistency of effort may bring a similar reward. Contacts have been made with Gov-

ernors of States, Mayors, chambers of commerce, veterans' organizations and municipal and civic non-fee charging placement organizations as well as with private employers. The Federal officers do not seek to force their assistance upon local authorities, nor do they seek to tell employers that even if profits may temporarily be reduced to the vanishing point they should make additions to their payrolls as a patriotic duty. They do, however, suggest to employers how additional men could be used, not for charity, but on the basis of work for which a need can be demonstrated. Many a man is now earning regular wages because a Federal agent was able to show an employer where he could use an extra hand and convince him that it would be financially profitable for him to do so.

Placement work is of two kinds. First there are the placements directly effected by the Federal service; from April 1 to Dec. 31, 1931, these numbered 790,522. Placements effected in cooperation with the State offices constitute the second group; for the same period these were 755,199, making a total of 1,545,721. In some States the Federal service operates directly; in others it makes use of the State facilities, cooperating with local offices. In many instances Federal funds are used to pay the salaries of additional members of the State staff. There has been, and there is still likely to be, some slight duplication of effort, but this is far more than offset by the increased assurance that, with Federal and local agencies working together, every possible job will be uncovered.

A typical Federal branch office contains two employment experts. One is in charge of the office, interviews callers, keeps the records of each applicant, appraises his character and his qualifications, and decides the kind of work for which he is best fitted. The other is the field man; his duty is to see employers, uncover employment opportunities—in a word, to bring the unemployed worker and his potential employer together. Ninety-eight offices have already been established and another fifty-four are shortly to be added.

The applicants who have registered with the Federal service belong to practically every occupation in which men and women earn their daily bread in the United States—from airplane pilots to day laborers, from college graduates to those who cannot write their own names. The disintegration of our industrial life in the past two years has gone so far that many college graduates and professional men now find themselves out of work. The Federal service tries to help them by the same methods it uses to place manual laborers: by interviewing all possible employers and exploring the country for vacancies.

A feature of the reorganized service is the appointment of superintendents for specialized trades. These are the building trades with headquarters in Washington, D. C.; mining and quarrying in Pittsburgh; manufacturing and metal trades in the Detroit area; transportation in Philadelphia; clothing and needle trades in Boston; office and mercantile work in Kansas City and marine workers, seamen and longshoremen in New York City. Unemployment, like nearly everything else, is a specialized problem. No one individual can keep abreast of the kaleidoscopic changes in every branch of American industry. A New England textile area, for example, may have a surplus of skilled workers, while at the same time a mill city in North Carolina can offer openings for a certain number of similar employes. With the cooperation, where necessary, of the State directors, each superintendent tries to place men in his particular field. While the government has no funds available to transport workers from one section of a country to another, a man with the promise of a job a thousand miles away can

usually find money to make the move. It is the wasted journey that exhausts savings and breaks hearts.

For the 600,000 to 750,000 World War veterans in the ranks of the unemployed a special drive has been made to find places. About 300,000 questionnaires have been sent out to veterans through the State offices, and from the answers have been assembled the essential facts about thousands of jobless service men. The Federal service up to Dec. 31, 1931, has found work for over 70,000 veterans. Though every office is on the alert to bring the veteran in touch with employment opportunities, twenty-three confine themselves exclusively to placing ex-service men. The disabled offer a special problem of their own, for most of them suffer from some handicap or other. Yet of the 70,000 veterans placed about 10,000 are classed as disabled.

Farm labor, because of its seasonal and temporary character, has presented another special problem. During harvest time the farmers need help, and they need it urgently; in other seasons there is a sharp decline in the demand. To bring labor to the farmers often requires an interstate movement—an appropriate activity for the Federal officers. The employment service keeps constantly in touch with employers' needs throughout the agricultural domain, and where a shortage of labor occurs arranges for additional help from outside. Wasted effort both by employer and worker is prevented.

The placements do not all represent permanent jobs. Many, necessarily, are temporary. Except in the government service, few positions can be considered otherwise in a time of industrial flux and uncertainty such as at present.

Though some opposition has been voiced in Congress to the establishment of Federal placement offices on the ground that the government should not compete with private fee-charging agencies, the prevailing sentiment, in and out of Congress, seems to favor the continuation of this Federal service. In the face of a great emergency, the inadequacy of State and local officers is plainly apparent. In 1929, according to the Senate Committee on Education and Labor, there were only 170 State and municipal public employment offices in the United States; thirteen States had no offices at all. The total appropriations of all the State Governments aggregated $1,203,906. "It should be self-evident that a country as large as this," declared the committee, "with a wage-earning population numbering over 30,000,000, cannot be effectively served by 170 public employment offices." In 1927 Great Britain had 1,162 public labor exchanges, or one to every 37,000 of the population; Germany had 1,293, or one to 48,000.

Even with a return of normal conditions, unemployment is likely to be of greater national concern than before. If this be so, an organization equipped to cooperate with local agencies, to assist in the interstate labor movement and to make placements through its own offices will meet a real national need. The reorganized placement service of the Department of Labor, with its machinery tried and tested in the present crisis, can undoubtedly do its share in dealing with the problem.

The Ownership of the Air

By HOWARD OSTERHOUT

ALTHOUGH the art of flying is now nearly a generation old, many legal questions to which it has given rise are still unanswered, even if, as a pioneer American textbook writer on aviation law in 1928 asserted, "the law has already become airminded." This observation referred to our State and Federal statutes and regulations and international conventions rather than to case law, which so far lacks the precedents of our highest courts. In the absence of any decision by the United States Supreme Court involving aeronautical rights, legal philosophers, textbook writers and the lower branches of our courts of justice have filled the gap.

The European countries, soon after the end of the World War, recognized the necessity of formulating rules for international flight, and the result was the International Flying Convention of 1919, to which nineteen continental countries are signatory. The United States, though represented at the conference, did not become a party to the convention.

This first international code dealt mainly with flights between different countries in times of peace and of war. After recognizing that "every power has complete and exclusive sovereignty over the air space above its territory," the convention proceeds in Article II to establish the right of innocent flight in peace times: "Each contracting State undertakes in time of peace to accord freedom of innocent passage above its territory to the aircraft of the other contracting State, provided that the conditions laid down in the present convention are observed." This explains why the start of the first transatlantic flight of the Graf Zeppelin was delayed for several days. The owners had to wait until the French Government, through the usual military channels, granted permission to pass through the air space over France. Similarly, impulsive American fliers, without first obtaining permits, have been penalized for flying over Bermuda and Japan.

Another international aviation convention grew out of the Pan-American Conference at Havana in 1928. Led by the delegates from the United States, the conference adopted the International Convention of 1919 as a basis and enacted most of its cardinal principles. The United States Senate, after three years of deliberation, ratified this convention on Feb. 20, 1931, so that it now has the force of law in this country.

After much discussion, Congress was persuaded to approach the subject through its right to control and regulate interstate commerce, and we are now governed nationally and locally to a large extent by the Air Commerce act of 1926. This enactment assumes the sovereignty of our air space, at least in so far as foreign governments are concerned: "The government of the United States has to the exclusion of all foreign nations complete sovereignty of the air space over the lands and waters of the United States, including the Canal Zone."

The question as to the sovereignty of the air space in each of the forty-eight States is dealt with by the Uniform State Law of Aeronautics, a model statute prepared by the Aeronautical Law Committee of the American Bar Association, which has already become law in twenty-one

States. Under this model act, there is a declaration to the effect that "sovereignty in the space above the lands and waters in this State is declared to rest in the State."

This assertion of State sovereignty of the local air space would, of course, have to give way in case of conflict with the superior rights of our Federal government in all matters relating to interstate commerce. The clash between the two theories of State and Federal jurisdiction has already been extended to the domain of aeronautical law and bids fair to continue as long as lawyers disagree.

So much for the sovereignty of the air internationally, nationally and locally. What of the *ownership* of the air space above the subjacent soil? Many diverse theories have arisen from this question, the answer to which becomes doubly perplexing in a country which has a written Constitution and in which property rights cannot be taken away from any individual without due process of law and without first paying compensation.

While litigation is now pending in this country, with the Supreme Court of Massachusetts already on record in one decision on the question of aerial trespass, it is important to go back to the other side of the Atlantic and trace the history of the right of the owner of the soil in the air space above him. This is because our American law is rooted in the common law of England.

Lord Coke several centuries ago stated in his Commentaries on Littleton: "The earth hath in law a great extent upwards, not only of water as hath been said, but of aire, and all other things even up to heaven, for *cuius est solum ejus est usque ad coelum,* as it is holden." Whence did Coke derive the authority for the proposition that whoever owned the soil owned up to the heavens? C. L. Bouvé, a student of the subject, believes that its source is not the Roman law. He attributes it to Accursius, a commentator of the Roman Code, who flourished in Bologna about the ye 1200 and used the maxim in discussi the right to keep burial plots or tom free from interference of overhan ing buildings. Mr. Bouvé argues th an ancient maxim which made no a lusion to ownership cannot furni the basis for the literal assertion t day of aerial property rights.

It is believed that the maxim b came embodied in the English cor mon law by a son of Accursius nam Franciscus, who in 1273 was induc to go to Oxford as a lecturer on R man law, of which he was as brillia a student as his father. Thus tl Latin maxim became accepted as principle of law by the English judg of that time and in due course enter into the discussion by present-da lawyers of property rights in the a space.

American judges, confronted wi the clash between the claimed right the aviator to fly his airplane throug the sky as he pleases, subject to go ernmental regulation, and the pro erty owner's asserted right to preve such flight because of his allege ownership of the air space above h land up to the sky, have had to lo almost entirely to the interpretatio of this ancient maxim for light in d termining this question. An Ohio Fe eral judge in a recent aerial trespa case declared in reference to this a cient phrase: "The venerability of th maxim, its frequent repetition ar the high standing of many of tho who have relied upon it, not on warrant, but call for, a careful co sideration of its origin and applic tion in adjudicated cases."

The early English decisions appli the maxim to a variety of situation wholly unconnected with the possib ity of human flight, such as ove hanging eaves, the kick of a neig bor's horse through a fence resul ing in injury to a mare in tl plaintiff's enclosure and target pra tice across property constituting nuisance because of the bullets th

actually struck on the plaintiff's property.

Pickering v. Rudd, an English case decided in 1815, has become suddenly famous owing to a dictum by Lord Ellenborough relating to the possible rights and liabilities of aeronauts. A barber cut down a vine which had grown across the premises of his next-door neighbor and up the wall of his own house, and where the vine had been removed he placed a barber-pole which projected over the neighbor's land, but at a considerable distance from the surface. Said Lord Ellenborough in his classic decision in this case:

> I do not think it a trespass to interfere with the column of air superincumbent on the close * * *. But I am by no means prepared to say that firing across a field *in vacuo,* no part of the contents touching it, amounts to a *clausum fregit.* Nay, if this board overhanging the plaintiff's garden be a trespass, it would follow that an aeronaut is liable to an action of trespass *quare clausum fregit* at the suit of the occupier of every field over which his balloon passes in the course of his voyage.

On this point Sir Frederick Pollock has expressed the following view, which has met with perhaps more judicial favor than that of any other theory yet advanced:

> It does not seem possible on the principles of the common law to assign any reason why an entry above the surface should not also be a trespass, unless indeed it can be said that the scope of possible trespass is limited by that of possible effective possession, which might be the most reasonable rule.

This opinion, which was written just before the dawn of airplane flight, is popularly referred to as the "possible effective possession" theory. In England, however, this legal point is now of only academic interest, because the air navigation act of 1920 contains the following clause: "No action shall be in respect of trespass or in respect of nuisance by reason only of the flight of aircraft over any property at a height above the ground, which, having regard to wind, weather and all the circumstances of the case, is reasonable."

Although the adoption of this statutory "rule of reason" has served to solve the problem in England, constitutional questions relating to the property rights of the individual have still to be dealt with in the United States where the old English cases, based upon the maxim of Accursius, still furnish us with the guiding principle in determining our American common law rule.

How about the rights of the aeronaut? By the provisions of the Air Commerce act of 1926 Congress has allowed the Secretary of Commerce to make traffic regulations for the navigation of aircraft, including rules as to safe altitudes of flight. The act further provides that "navigable air space" means air space above the safe altitudes of flight and that such navigable air space, decreed by the regulations of the Secretary of Commerce, shall be subject to a public right of freedom of interstate and foreign air navigation.

The Federal regulations themselves define the nature and extent of the public aerial highway which the Secretary of Commerce has created. The minimum safe altitudes of flights are as follows:

1. Over congested parts of cities, towns or settlements, not less than 1,000 feet.

2. Over all other non-congested areas, not less than 500 feet.

3. In taking off and landing, at a height which is not in dangerous proximity to persons and property on the land or water beneath or unsafe to the aircraft.

Here we have a more or less flexible rule and one whose constitutionality has not as yet been passed upon by the United States Supreme Court. Two of our courts, the Massachusetts Supreme Court and a Federal court of Ohio, have each declared that it was constitutional for Con-

gress to enact a regulation allowing flights at 500 feet or higher over the subjacent land and water. The Massachusetts court declared it a trespass, however, to fly at as low an altitude as 100 feet, while the Ohio Federal court decided that flights at a lower altitude than 500 feet above the adjoining landowner's property, whether in landings and take-offs or otherwise, were an illegal interference with the latter's property rights. If the aeronaut wanted to fly at a lower altitude than 500 feet, the court intimated that the airport company should acquire, by condemnation for its airport, a large enough space of ground to allow the flier to reach a height of 500 feet before attaining a point that would bring him over private property.

The Ohio case was taken to a higher court which has recently decided, without defining any particular numerical yard-stick of height, that the defendant's airplanes were not committing trespass by flights over plaintiffs' country homes at a lower altitude than 500 feet. Upon the "balance-of-convenience" theory, however, the court decreed that the airport, as operated, constituted a nuisance and enjoined its further operation.

The crux of the situation rests in the ultimate holding of our higher courts as to this aerial staircase, in allowing airplanes to take-off and land at a lower altitude than 500 feet over private property. The Department of Commerce has attempted to pronounce these particular flights as lawful, if safely and properly conducted. There is not much doubt among constitutional lawyers that the American landowner must give up his claim to the ownership of the air space above his soil, at least in so far as aircraft keep above the 500 and 1,000 foot level as to non-congested and congested areas, respectively, and possibly when flights are made at lower altitudes. The right of the soil owner, however, to claim nuisance, that is, illegal annoyance in the case of very low flights, is indisputable.

The ownership of the air space within and over each of the forty-eight States continues to be the subject of differences of opinion. The legal specialists had almost come to an agreement that the ownership of the air space, subject to a right of flight at safe altitudes, was vested in the several owners of the surface beneath and this principle had already found its way into Section 3 of the Uniform State Aeronautics act, adopted by nearly half the States of the Union, when a new controversy arose. The Standing Committee on Aeronautical Law of the American Bar Association, in its most recent report, boldly declares that such statement as to the private ownership of air space proclaims a legal untruth. In its place, the committee offers as a solution of this problem a uniform aeronautical code, designed to replace the existing Uniform State Aeronautics act. In the first section of the proposed code, without defining who owns the air space above the lands or waters of each State, it proclaims a right of aerial flight to be one which does not interfere with the existing use to which the land has been put by the owner, provided such flights are so conducted as not to be imminently dangerous to persons or property lawfully on the land or water beneath.

The American Law Institute, which is attempting the task of restating the American law as it exists today, in Section 7 of its draft on torts, takes the extreme position that any "unprivileged" entry into the air space at any height is trespass. To this conclusion, the American Bar Association Committee on Aeronautics takes strenuous exception.

All this indicates that, until the United States Supreme Court has spoken the last word upon the subject, no one can assert with any assurance of certainty who, in fact, owns the air space above and about us.

A New El Dorado in Mexico

By WATSON DAVIS
Managing Editor, Science Service

EVER since the days of the Spanish Conquest, legends of gold hidden in the hills of Mexico have survived. Fortune hunters have dreamed of coming upon sudden riches in hidden caches. In our own day many treasure hunts have been organized; one American searcher went so far as to organize a stock company to look for the wealth which legend says was dropped by the plumed serpent god, Quetzalcoatl, in his mythical flight from the unknown city of Tula. The Mexicans themselves jokingly say that if only a portion of the ancient treasure were recovered, the national debt would be wiped out.

The Spanish conquistadores, however, did their work quite thoroughly, and little hidden gold has been unearthed in recent times. But with the beginning of the present century a scientific rather than a materialistic impulse has urged men to seek out the fruits of the pre-conquest civilizations in Mexico. Jungle-grown mounds of Yucatan have revealed marvelous temples of the forgotten Mayas. The Carnegie Institution of Washington has carried out extensive excavations and restorations in the ancient Mayan city of Chichen Itza. Mexico itself developed its own archaeologists who, with the passing of the Diaz régime and the coming of laws protecting historical and archaeological sites, began to excavate. The Toltec city of Teotihuacan was the first site of importance to be investigated by them, and later their spades uncovered other ruins of the past, such as the Aztec pyramid at Tenayuca, on the outskirts of Mexico City itself.

But it is in Oaxaca, far to the sout of the capital city, that the ancie cry of "El Dorado" has most recent been re-echoed. Early in 1932 a sma party of archaeologists, led by A fonso Caso, tunneled into an ancie tomb of Monte Alban, the "Whi City," that overlooks the pink ar white and blue town of Oaxaca. Go and jewels and human bones met the gaze. Reminiscent of the riches legendary Mexico, recalling the mo celebrated tombs of ancient Egypt, t treasure tomb was rich by world standards. Yet it promises to be rich when valued by cultural standarc Let Caso himself describe this tom

"For days we had been excavati at Monte Alban, the ancient fortres city, now a mountain of ruins. At la our picks and shovels uncovered t entrance to the ancient Mixtec Indi tomb that was to prove so interesti and rich in treasure and archae logical evidences. We entered the ton through an antechamber approach by a pair of steps. As we made o way within we found that there we two rooms, separated by a portal. T first of these rooms has a flat ceilin but the second is a gabled vault wi ceiling like an inverted V.

"There we saw six seated dead wa riors, jewel-covered and ornament with gold and other precious thing The long years had dealt severely wi them. We found that their skeleto had practically disintegrated durir the many decades since they had bee placed there. Near them were mar extraordinary objects—gold, silve copper, jade, turquoise, shell, pea coral and other materials. The

precious articles were immediately removed under guard to the vaults of the Bank of Mexico for safe-keeping.

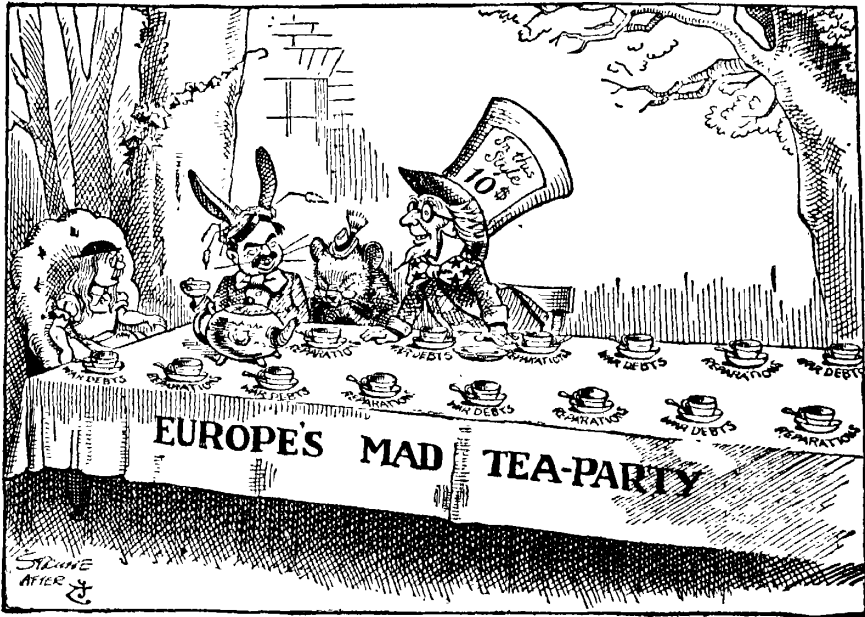
"Human bones beautifully carved, were found in the tomb and promise to be of the greatest scientific interest. They are carved with a technique not surpassed by fine Chinese work on ivory. The various engravings upon these portions of human skeletons picture happenings of history. There also are worked upon them details from the ritual calendars used by these ancient Indians. Thus the carved bones are veritable leaves of books, books of human bone used to record information important to this ancient race.

"A sacred mask that represents the Indian god Xipetotec is one of the ornaments of gold. Xipetotec was the god of the flayed, in whose honor a woman was beheaded, so that the skin of her body might be worn as a dress by a ritual dancer. A diadem of gold, breast ornaments of gold, bracelets and necklaces, all of gold and beautifully worked, were among the other treasures in the tomb. An unusual bowl of rock crystal and several beautiful alabaster vessels were found, as well as many pearls, some of unusual size. A human skull, richly encrusted with turquoise and shell, was probably some ancient warrior's trophy. When it was found it had a flint knife resting in the hollow of the nose."

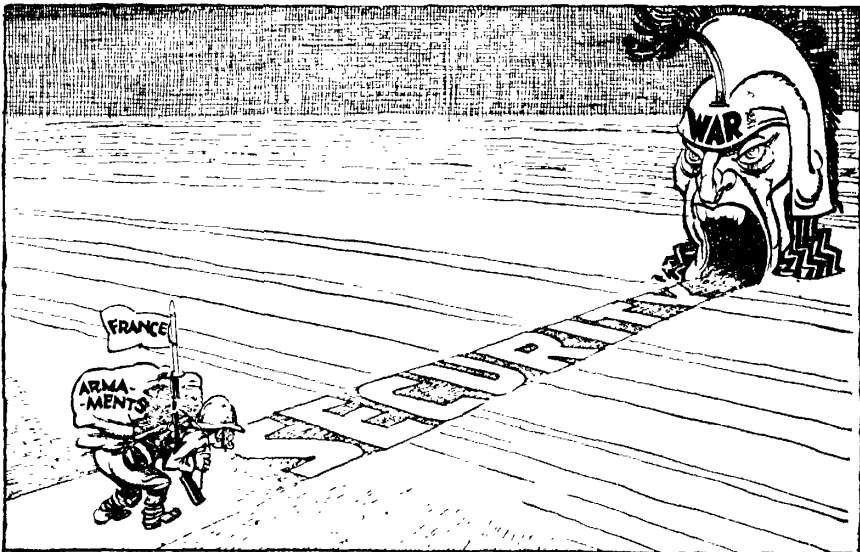
The gold and gems found at Monte Alban are of Mixtec origin, but they are not necessarily indicative of a Mixtec civilization in the immediate district. Archaeologists have always considered Monte Alban a Zapotec city, and the Mixtec graves may mean that Monte Alban was conquered by invaders from the great Mixtec city of Mitla, not many miles away. Today the descendants of the ancient Mixtecs and Zapotecs live together in the State of Oaxaca. They speak related languages and, together with about a half dozen other Indian groups, form what scientists call the Zapotec linguistic family. They differ in customs and language, however, from the Mayans to the south and the Aztecs to the north, although all American Indians are held to be of the same great race.

At the time of the Spanish conquest the Mixtec city of Mitla, with its many beautiful palaces and temples of geometrical stone mosaics situated on low, wide terraces, was a living city. Monte Alban, on the other hand, built on a leveled mountain top, was already dead and forgotten. While it is yet too early to expect definite statements upon the relation of these two cities to each other and to the neighboring Mayan civilization, Alfonso Caso has pointed out that the Monte Alban discoveries are in many ways Mayan in style. There is a marked similarity in Zapotec stone carvings of human figures and in Zapotec numerals to those found in the famous Yucatan districts. Caso thinks the Mayas may have lived in Oaxaca before they moved south.

In the last hundred years, since American antiquities first began to stir scientific interest in the world, Mexico has been systematically robbed of its best specimens. Temple walls were ruined to extract carvings or figures for American or European museums. Certain foreigners in recent years had established lucrative businesses in Mexico, collecting archaeological objects to ship out of the country. But under a recent law, the treasures of the Monte Alban tomb are not for sale or transfer out of the country. They are to be considered not as of cash value, but as of scientific value, and as art and historical treasures they belong to the nation.

Current History In Cartoons

ALICE IN BLUNDERLAND

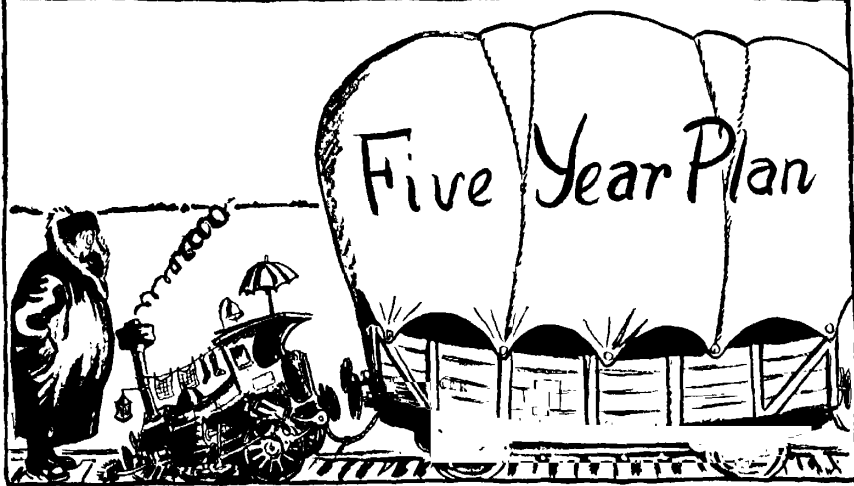
"Then you keep moving 'round, I suppose?" said Alice.
"Exactly so," said the Hatter; "as the things get used up."
"But what happens when you come to the beginning again?"
"Suppose we change the subject," the March Hare interrupted.

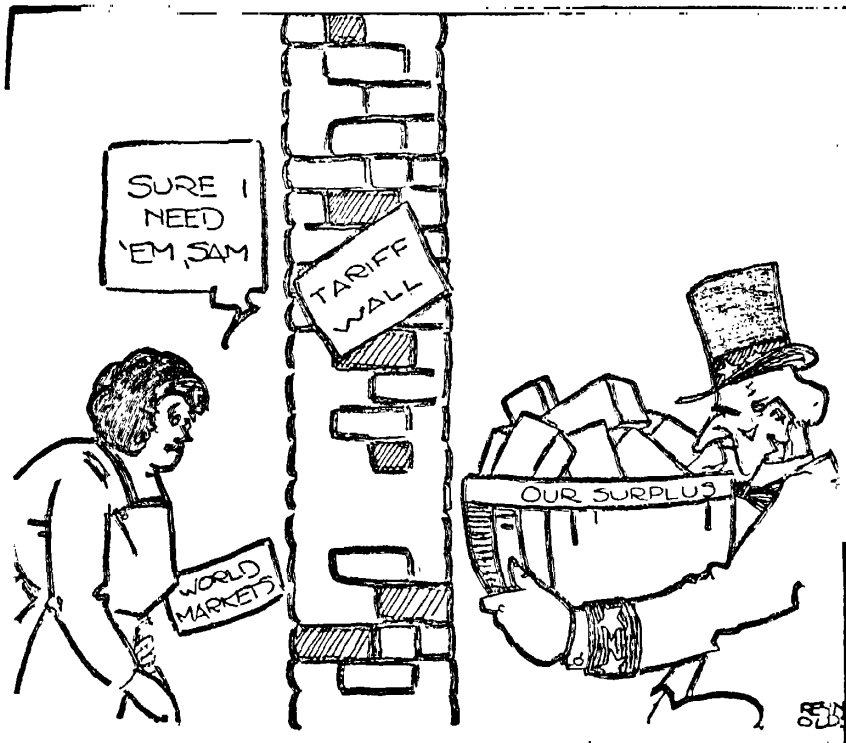
—*London Daily Express*

IT IS BETTER TO TRAVEL THAN TO ARRIVE

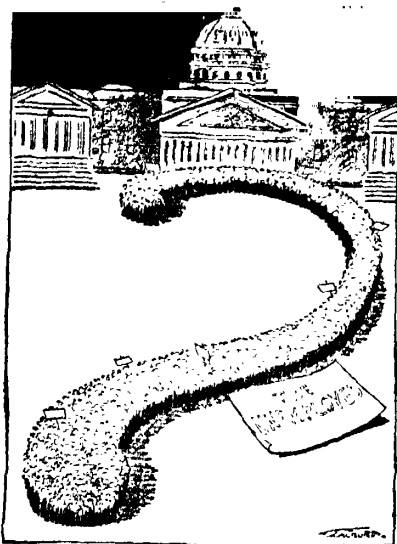
—*Glasgow Evening Times*

SUPER-SALESMANSHIP HITS THE ORIENT
—*St. Louis Post-Dispatch*

POOR PEKINGESE!
—*Pittsburgh Post-Gazette*

THE DISARMAMENT CONFERENCE OPENS
—*Detroit News*

RUSSIA'S OWN LITTLE RAILROAD EMERGENCY

—*Der Wahre Jakob, Berlin*

SUPPLY AND DEMAND

—*Raleigh News and Observer*

WHAT'S THE ANSWER?
—*Cincinnati Post*

"THEY'LL NEVER KNOW US APART"
—*San Francisco Call-Bulletin*

THE ANSWER IS A—
—*Glasgow Sunday Mail*

A Month's World History

The Clash of Disarmament Plans

By JAMES THAYER GEROULD
Princeton University; Current History Associate

GEORGE BERNARD SHAW once remarked that "if the other planets are inhabited, the Earth is their lunatic asylum." The events of recent months have, no doubt, still further convinced him of the truth of his aphorism. Our capitalistic civilization seems resolved on self-destruction, and were it not so firmly founded it could hardly have survived the effects of the war which did little more than change its form with the signing of the armistice. Nationalism has run mad. In a mechanized world, in a world that has become almost completely interdependent, economically and financially, the nations, in a vain attempt to secure self-sufficiency and regardless of the facts of geography, have striven to stimulate production in industry and agriculture and to create a surplus for sale abroad. At the same time they have built higher and higher the tariff walls that serve quite as effectively to prevent their goods from going out as to hinder the entrance of those of their neighbors. By the maintenance of legalistic views as to war debts and reparations they have still further stifled trade and reduced their own tax collecting power. Irritated, not unnaturally, at the tragic results of their own stupidity, they attempt to throw the blame on their neighbors and spend huge sums of the taxpayer's money on armaments for wars that they have renounced "as instruments of national policy." In the Far East the shells of the guns and the bombs of the Japanese aircraft have demonstrated how futile are our present defenses against war and its terrible consequences.

It is in this atmosphere of insensate folly that the Disarmament Conference has assembled. No one doubts the sincerity of the desire of the delegates or of the nations behind them to relieve the world from the threat of war and of the crushing burden of taxation that preparations for it entail. The necessity for action is evident to every one except those who profit from swollen armaments. Every one wants peace, even, it is to be presumed, the "patriotic" women's organizations which in Washington the other day so strongly demanded a larger navy and a more "adequate" national defense. But the delegates of every nation go into the conference instructed by their governments to agree to nothing that will decrease the potentiality of their armed strength relatively to that of their neighbors. While France talks more about "security," and defines it in somewhat different terms than most, it is that which is uppermost in the minds of all. Any government which compromised in any serious way what

the public opinion behind it regards as the conditions of security would fall, and its acts would be repudiated. What the stronger nations in particular fail to realize is that their preponderance of power is a threat to their neighbors, who are not content to rely on their benevolence. All the peaceful professions of France are quite powerless in creating a feeling of security in Germany and Italy. Here lies the impasse, and unless a way out of it can be found the conference will be without result. Unless there can be compromise there will be failure.

National prejudices are, however, realities, and it is futile to expect that they can be completely overcome in the few months that the conference will be sitting. Conditions being what they are, if agreements can be reached that will prevent the situation from becoming worse, definite progress will have been made. If the creaking machine, which we dignify by the term Western Civilization, can be kept from falling apart and retained in operation for another five years, we then may be ready for major repairs.

The opening of the conference on Feb. 2 was singularly devoid of ceremony. Two hundred and thirty-two delegates were present from nearly sixty nations. Arthur Henderson, who, while he was British Foreign Minister, had been elected president, delivered the opening address. For one reason or another many of the distinguished men who had directed the deliberations of the preparatory commission were absent. Briand was no longer in office and his place at the head of the French delegation was taken by André Tardieu, Minister of War. Ramsay MacDonald was ill and in England. Lord Cecil, although in Geneva as a member of the League Council, had not been given a place on the British delegation, of which Sir John Simon is the head. Chancellor Bruening, under the stress of the difficult political situation at home, was compelled to delay his coming, and his place was taken by Rudolph Nadolny, Ambassador to Turkey. Signor Grandi is chief of the Italian delegation and Maxim Litvinov the leading Soviet representative. The appointment of Charles G. Dawes as the president of the newly established Reconstruction Finance Corporation had compelled his withdrawal from the American delegation and the leadership passed to Hugh S. Gibson, Ambassador to Belgium, the other delegates being Senator Swanson of Virginia, Norman H. Davis and Dr. Mary E. Woolley, with Hugh R. Wilson, Minister to Switzerland, as alternate. Delegations from five nations—the United States, Canada, England, Uruguay and Poland—had women as members.

Mr. Henderson's presidential address dwelt on the immense significance of the task before the conference and reviewed the efforts that had been made, by the League and outside it, to prepare the way for its success. Its delegates were, he said, the spokesmen of 1,700,000,000 people, the welfare of all of whom depends on the result of the conference. Although there is "incontestable proof of the fallacy of the belief that the safety of nations is in proportion to the strength of their armaments, * * * a sense of insecurity leads to their increase, and the increase adds to the feeling of insecurity. Unless the circle can be broken the process goes inevitably forward. The burdened nations can then find no release except in open conflict." Sixty-one countries are expending an annual total of $4,000,000,000 on their armament, in addition to the immense sums that go to pay the bills of past wars. These expenditures are not only non-productive, they are a menace to the peace of the world.

The opening days of the conference were spent in organization and in the presentation of petitions signed by 10,000,000 men and women demanding that concrete action be taken in lessening the dangers of war. The first proposal of a definite character

was contained in a document, submitted by André Tardieu on Feb. 5, advocating the creation of an international police, under League direction, or, so far as the powers outside the League are concerned, "at the disposal of some international body which would be constituted to insure their cooperation." Dealing first with aircraft, which are regarded as "specifically offensive and most threatening to civilians," Tardieu's proposals recommend that the nations agree not to construct or to employ machines capable of military use. All aircraft above a certain tonnage (or in the case of dirigibles, above a certain cubic capacity), would be placed under international control. While in civil use they would be operated by private companies "under the auspices of the League," but they would always be subject to requisition for preventive and punitive purposes. Similarly, all batteries of long range artillery, all capital ships above 10,000 tons, carrying guns above 8 inches in calibre, and all submarines above a certain tonnage would be subject to requisition. The international army would consist of a permanent police force, always available to prevent war, and of a punitive force, requisitioned and assembled as occasion might demand. The obligation of the nations to contribute to such a force would vary "according to the regions concerned." For the protection of the civilian population it is proposed to forbid the use of projectiles containing poison gases or bacteria. Any bombardment of an area more than a determined distance from the front lines, or from the sea coast, would be outlawed. In the final chapter the French Government "affirms once more that no substantial reduction of armament can be brought about by empirical or technical means." The League Covenant must be reinforced and given vitality by the adoption of "compulsory arbitration, a definition of the aggressor, guarantees as to the rapidity of decisions of the authority controlling the international force * * * and international control and execution of all agreements concerning armaments."

All this, of course, is an elaboration and extension of the French thesis which, supported continuously since the League came into being, has been opposed most vigorously by British and American opinion. The French believe in an international organization with power behind it to enforce its decisions, and they are willing to sacrifice something of sovereignty to secure it. In Great Britain and the United States, however, there is decided opposition to anything that resembles a super-State. We go even further than the British in refusing to submit to any sort of international control. Thus far we have not been willing to join the World Court; our acceptance of the principle of arbitration is strictly limited to matters that are justiciable; we decline to commit ourselves in advance in so small a matter as consultation; we demand for ourselves complete liberty of action in every political situation. There is not the slightest chance that any proposition of this sort would be approved by our Senate.

Foreign comment in Germany, Great Britain and Italy stresses the fact that nowhere in the document is a word said about any reduction or limitation of armament, except in the matter of aircraft and the use of poison gas; there is no hint of the abrogation of those prohibitions imposed on the Central Powers by the Versailles treaty; the question of trained reserves and conscription is not mentioned. There is obviously the fear that France, through the organization proposed, would increase and consolidate her own military power and would buttress still further the Versailles treaty against any territorial readjustments.

It may be taken for granted that the French delegation is too well aware of the realities of international politics to believe that their proposal will

be adopted. Its introduction at the opening of the conference was doubtless designed to give them tactical advantage, and possibly to forestall a movement to the Left in the coming French national elections.

In contrast with the French proposals, those of Great Britain and the United States were much more moderate and closer to reality. The program of both is based on a progressive development of what has already been accomplished. Instead of scrapping the work of the Preparatory Commission they would build on that foundation. Sir John Simon's speech on Feb. 8 made this very clear: "We accept, in general, the methods and limitations with reference to the establishment of maxima contained in the convention. We support the establishment of a permanent disarmament commission. We urge the abolition of gas and chemical warfare. We press for the abolition of submarines." Admitting that conscription is a highly controversial subject, "we seek and urge upon others the most practical course for limiting by agreement the number of effectives." In estimating the armaments which should be permitted, "we cannot expect to arrive at a mathematical correspondence in actual figures, for considerations of size and geography and special needs all introduce factors of variation."

There was a striking similarity between this program and that of the United States, as expressed in the speech of Hugh S. Gibson, on the following day, the substance of which was contained in nine specific proposals:

1. The American Government advocates consideration of the draft convention as containing the outlines for a convenient basis for discussion, while expressing its entire willingness to give full consideration to any supplementary proposals calculated to advance the end we all seek.

2. We suggest the possibility of prolonging the existing naval agreements concluded at Washington and London, and we advocate completing the latter as soon as possible by the adherence of France and Italy.

3. We advocate proportional reduction from the figures laid down in the Washington and London agreements on naval tonnage as soon as all parties to the Washington agreement have entered this framework.

4. We advocate, as we long have done, the total abolition of submarines.

5. We will join in formulating the most effective measures to protect civilian populations against aerial bombing.

6. We advocate the total abolition of lethal gases and bacteriological warfare.

7. We advocate the computation of the number of armed forces on the basis of the effectives necessary for the maintenance of internal order plus some suitable contingent for defense. The former are obviously impossible of reduction; the latter is a question of relativity.

8. We agree in advocating special restrictions for tanks and heavy mobile guns; in other words, for those arms of a peculiarly offensive character.

9. We are prepared to consider a limitation of expenditure on material as a complementary method to direct limitation, feeling that it may prove useful to prevent a qualitative race, if and when quantitative limitation has been effected.

Chancellor Bruening, who had joined his delegation the day before, spoke next. He was firm but moderate in his insistence that Germany must be treated on an equal basis with the other powers: "The government of the German Reich and the German people demand, after their own disarmament, general disarmanent. Germany has, in this respect, a legal and a moral claim that can be questioned by nobody. The German people expect of this conference the solution of the problem of disarmanent on the basis of equality and equal security for all peoples." He criticized the draft convention of the Preparatory Commission as "full of gaps and silent on essential points," and stated that, at a proper time, the delegation "would submit to the conference proposals calculated to remove these shortcomings." He stressed the necessity, in view of the engagements already

made by the nations in the Pact of Paris and other treaties, of "forbidding and decisively limiting all weapons designed for attack," and pledged an objective examination of all proposals calculated to further the aim of disarmament.

Italy, Japan and Poland laid their respective proposals before the conference on Feb. 10. Foreign Minister Dino Grandi's outline of the Italian attitude showed that his country would in the main support the schemes upon which Great Britain and the United States agree. Tsuneo Matsudaira, Japanese Ambassador to Great Britain and head of the Japanese delegation, said that despite the disturbed condition of Eastern Asia his country was as eager as ever to further the cause of disarmament. Japan favors, as does Italy, a reduction in the size of battleships and the calibre of their guns, and would consider even a total abolition of airplane carriers, "since their functions would be of the most aggressive nature." In regard to the total abolition of submarines, Japan is less certain, but Mr. Matsudaira stated that his country was heartily behind a movement which would outlaw air bombardment and the use of poison gas and bacteria. Speaking for Poland, Foreign Minister August Zaleski expressed sympathy with the French proposals, which, as pointed out before, would make possible the establishment of a comprehensive system of security and mutual aid from which all abolition steps would follow as a natural consequence.

Soviet Russia, the last of the great powers to put its scheme for disarmament before the conference, was represented by its Commissar for Foreign Affairs, Maxim Litvinov. Speaking on Feb. 11, Litvinov advocated the total abolition of all arms and armies as the only security against war. While waiting for the arrival of that ideal condition, however, the Soviet Union is willing to support the complete destruction of such aggressive instruments as had already been denounced by the representatives of most of the other great nations. Following Litvinov's speech, the delegates of Belgium and Sweden reiterated the plea for world peace which had been generally heard in previous addresses, but made no extensive original suggestions for its achievement.

INTERNATIONAL DEBTS

When Chancellor Bruening on Jan. 20 rejected the Anglo-French proposal for an extension of the reparations moratorium for one year from July 1, 1932, it seemed that an amicable settlement of the international debt question was indeed distant. France, admitting that Germany could not pay at present, had nevertheless insisted that the payments in kind be continued and that the Young Plan be abrogated only in exchange for a cancellation of the French debt to other nations. On Feb. 13, however, the British Foreign Office issued a communiqué stating that the Lausanne reparations conference, originally scheduled for Jan. 18 and postponed to Jan. 25, would be held in June, by agreement of the governments of Belgium, France, Italy, Germany, Japan and Great Britain.

"The object of the conference," says the communiqué, "will be to agree on a lasting settlement of the questions raised in the report of the Basle experts and on measures necessary to solve the other economic and financial difficulties which are responsible for and may prolong the present world crisis." Apparently this "lasting settlement" will not be only an extension of the Hoover moratorium, nor will the Hoover moratorium nor the question of the Allied debts to the United States be mentioned. It seems that Great Britain has insisted and that France has agreed that settlement of the reparations problem for them is a matter which is without relation to their respective debts to the United States.

Italy favors complete cancellation. In an article in *Il Popolo*

d'Italia of Milan, which is believed to reflect the personal views of Mussolini, it was argued that unless reparations were canceled "disturbances will occur all over the world which will lead to chaos." As to the debts owing to America and Great Britain, it held that those governments have "recovered the value of the goods advanced to the Allies by means of heavy taxation on war profits. What the Allies are now paying to those governments, therefore, is nothing but tribute."

A summary of the memorandum stating in definite terms the position of the United States was released in Paris on Jan. 20. It covered five points: (1) There is no connection between war debts and reparations; (2) the European powers must take the initiative on reparations; (3) a demand for a new debts moratorium could not obtain approval in Congress, and the Senate opposes a cancellation or reduction of the debts; (4) the United States Government would look with displeasure on the formation of a united front of the debtor nations; (5) the existing debt arrangements, having been concluded separately, can be eventually revised only by separate accords.

The financial crisis in Germany has been temporarily relieved by the renewal of the "standstill" agreement regarding the short term credits for a period of one year from Feb. 29, 1932. Since the agreement was made last August, Germany has repaid $257,000,000 of these credits, and something over $1,000,000,000 still remains. This will be reduced as fast as the Reichsbank can accumulate the necessary foreign exchange. Creditors are encouraged to convert these cash advances into ten-year notes, bearing interest at 6 per cent. Still further aid has been given to Germany by the renewal, for one month, of the $100,000,000 credit of the Bank for International Settlements. The Bank of France vetoed the plan of the other central banks participating in the credit for an extension of three months.

America Acts to Check Depression

By E. FRANCIS BROWN
Associate Editor, Current History

THE United States, during the past month, presented the appearance of a nation fighting against impending economic and social disaster. Sobered by the continued business crisis and its far-reaching effects, political, financial and industrial leaders mobilized their forces to restore the country, if not to the "prosperity" level of 1929, at least to more normal conditions. Whether the remedies proposed and adopted are the correct ones, no one can tell, but in Congress and outside there has been surprising unanimity of support for the Hoover Administration's campaign against the depression. And while measures were being enacted in Washington, States and municipalities were seeking other means to build bulwarks against further spread of the catastrophe which has been the lot of the 1930s. At the same time the administration was plagued by the imperative need of supporting American interests in many quarters of the globe, not least in the Far East, where the critical turn of affairs, however much it may have burdened the State Department, served to distract public

attention from the continued seriousness of the nation's well-being.

The outstanding accomplishment to date of the Seventy-second Congress was enactment of the administration's principal proposal for economic recovery—the establishment of the Reconstruction Finance Corporation—which became effective on Jan. 22 with President Hoover's signature of the bill. The passage of this measure had long been foreseen, as it had the support of members of both parties. The act in its final form provides for a corporation with a capital of $500,000,000, to be subscribed by the United States Government, although the corporation may issue obligations to three times the amount of this capital. The corporation is authorized to make loans to fiscal institutions, including those in process of reorganization or liquidation, for aid in "financing agriculture, commerce and industry, including facilitating the exportation of agricultural and other products." With the approval of the Interstate Commerce Commission, the corporation may make loans to railroads which are "unable to obtain funds upon reasonable terms through banking channels." The corporation is under the direction of a board of seven members, three of whom, the Secretary of the Treasury, the chairman of the Federal Reserve Board and the Farm Loan Commissioner, are ex officio.

Even before the bill for creating the Reconstruction Finance Corporation had received its final form in Congress, President Hoover announced that Charles G. Dawes, who resigned recently as Ambassador to Great Britain and who was scheduled to head the American delegation to the Disarmament Conference, would be president of the Reconstruction Finance Corporation. Eugene Meyer, chairman of the Federal Reserve Board, automatically became a member of the board of directors of the new corporation and was appointed its chairman by President Hoover. The three other directors appointed by the President were Harvey C. Couch of Arkansas, Jesse H. Jones of Texas and Wilson McCarthy of Utah.

Because of the non-partisan nature of the bill creating the Reconstruction Finance Corporation, there was comparatively little debate upon it in Congress, although the measure would seem to indicate a big step along the road toward State capitalism. In most respects the bill was passed in the form proposed by the administration, except that Senators Glass and Bulkley succeeded in preventing the corporation's securities from being purchasable or rediscountable at Federal Reserve Banks.

Immediately there were indications that large extensions of credit would be sought from the corporation by banks, railroads and other corporations; on Feb. 5 it was announced that the Pennsylvania Railroad would apply for loans which might reach $5,000,000 monthly for an unstated period. According to a statement of policy issued on Feb. 8, loans by the Reconstruction Finance Corporation would be limited to three years. One effect of the setting up of the Reconstruction Finance Corporation was seen to be the discontinuance of the National Credit Corporation, which was created with great éclat a few months ago, but has led a quiet, almost secret life.

Even while the Reconstruction Finance Corporation bill was being made law, rumors passed over the country that the administration was supporting a movement for inflation—of just what nature the rumors were not precise. To set at rest the hopes and fears aroused by these rumors, a White House statement was issued on Jan. 26 declaring that the administration did not contemplate inflation of the currency and that, in its opinion, the creation of the Reconstruction Finance Corporation was intended only to arrest deflationary processes. (See article by Bernhard Ostrolenk on pp. 773-780 of this issue for discussion of this point.)

Nevertheless, on Feb. 10, after a non-partisan conference at the White House, a decision was reached by leaders of both parties to introduce a bill into Congress which, through revolutionary changes in the Federal Reserve System, would stimulate credit by means of a possible increase of $2,500,000,000 in the currency. It was planned to grant much more liberal rediscount authority to the Federal Reserve Banks, thus making eligible for rediscount many billions of dollars of commercial paper, which at present are ineligible. Further, the bill proposed to make available for credit the vast amount of gold held by the Federal Reserve Banks over and above the required 40 per cent gold reserve. To many people who had been led to believe that the Reconstruction Finance Corporation would solve the problem of adequate credit, this new proposal came as somewhat of a surprise. Moreover, those who had seen possible inflation as a result of the formation of the Reconstruction Finance Corporation now felt sure that the administration had determined to solve the nation's difficulties through the historically disastrous method of currency inflation.

That hoarding of currency was on a large scale and somewhat menacing has long been recognized by financiers, but the situation received wide publicity on Feb. 3 when President Hoover appealed to the country to restore to circulation the vast sums now hidden away in safe-deposit boxes and stockings. The President estimated that $1,300,000,000 had been hoarded, restricting credit by five to ten times that amount. In his appeal the President declared: "Today we are engaged in a war against depression. If our people will give now the same service and the same confidence to our government and our institutions, the same unity and solidarity of courageous action which they gave during the great war, we can overcome this situation." At a conference held three days later between the President and business, industrial and civic leaders a program to induce hoarders to reinvest their accumulations of capital was devised. Colonel Frank Knox, publisher of the *Chicago Daily News*, was made director of the campaign against hoarding.

A logical consequence of the weaknesses in our banking structure which have been exposed by the depression has been the introduction by Senator Glass of Virginia of a bill to revise the Federal Reserve and national banking laws. The bill, which is largely the work of Senator Glass, provides for a liquidation corporation within the Federal Reserve System to aid depositors of closed banks. The bill, also, would restrict the use of Federal Reserve funds for speculative purposes, would allow State-wide national branch banking under State laws and would control chain or group banking. Considerable opposition arose immediately to this measure, especially because of its threat to create a powerful central banking system. As the bill necessitates almost a rewriting of the entire legal structure of the Federal Reserve and national banking systems, and as the measure is calculated to restrict credit rather than to expand it, there seems little likelihood of its becoming law except after long and strenuous debate.

Somewhat lost from view as a result of the great publicity attending other measures designed to improve the nation s economic condition, a bill for increasing the capitalization of the Farm Land Banks by $125,000,000 passed Congress on Jan. 21 and was signed by President Hoover on Feb. 2. The first of the administration's relief proposals to be enacted, the new law will supplement the sum available for loans to farmers from the Reconstruction Finance Corporation.

THE PROBLEM OF THE BUDGET

One of the great problems before the present Congress is the necessity of passing legislation which will provide sources of income to meet the

steadily mounting treasury deficit; this means finding money for the budget of the present year—including the various appropriations for departments and bureaus, as well as the charges on the growing national debt. The general proposals of the treasury to meet the situation are economies and increased taxation. On Jan. 13 Secretary Mellon and Under-Secretary Mills outlined before the Ways and Means Committee a two-year "emergency" program, which it was hoped would raise additional revenue of $920,000,000, but on Feb. 9 Mr. Mills was forced to announce that shrinkage in income necessitated the raising of $1,241,000,000. Income taxes would be increased, postal rates likewise, and additional taxes would be levied upon tobacco, admission tickets, radios, automobiles, checks and drafts, telephone, telegraph and cable messages, while increases would be made in corporation and estate taxes.

During the following weeks hearings were held upon the treasury's tax plan, preliminary to the actual drafting of the bill. What effect the protests of interested groups would have upon the proposals made by Secretary Mellon was, on Feb. 10, still a secret with the members of the committee. Leaders of the House apparently were striving to make the bill a non-partisan measure if possible and were reported to be agreed that the proposed tax increases should not be retroactive for the year 1931. The Ways and Means Committee definitely refused to include in the bill any increase of postal rates, and a good deal of opposition was said to have developed against the so-called nuisance taxes included in the Mellon plan.

Meanwhile, the government's deficit was mounting rapidly and, with the addition of the $500,000,000 appropriation for the Reconstruction Finance Corporation and the $125,000,000 for the Farm Land Banks, was expected to reach nearly $3,000,000,000 by the end of the fiscal year on June 30, 1932. On Jan. 31, 1931, the deficit was $242,843,500; a year later it had risen to $1,512,532,500. The chief loss in revenue during recent months has been the decline in the amount of income tax payments, which in the first seven months of the current fiscal year dropped $502,000,000.

The need for economy in government operation thus would seem to be imperative, but historically governments have found it difficult, and always unpopular, to reduce expenses. Powerful interests which have a stake, either directly or indirectly, in the manifold activities of the government, can always bring pressure to bear against any curtailment of those activities. President Hoover, on Jan. 8, appealed for governmental retrenchment and declared: "We cannot squander ourselves into prosperity." A few days later Speaker Garner, after a visit to the White House, said: "We are not going to increase a single budget estimate by a single red cent, and we are going to reduce as many items as possible." Resolutions to consolidate certain government bureaus in the interest of economy, or speeches like that of Senator Smoot against "that old rat-hole in the *Congressional Record*"—the privilege of inserting in the *Record* all sorts of material which has not actually been used in Congress—aroused little excitement.

More debate was stimulated by Senator Borah's proposal to reduce the salaries of all Federal employés who receive above $5,000 a year. Representative Wood of Indiana has proposed a cut of 5 per cent for all those receiving from $2,000 to $5,000 a year, and a 10 per cent cut for all in excess of $5,000. At the present time the annual salary total for all government employes approximates $1,500,000,000, and, according to a report of the Bureau of Efficiency, the proposed reductions in pay would save only $55,383,465.

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fense. President Hoover regularly has opposed an increase in naval construction at a time when the world is struggling to reduce armaments, a policy which, of course, has been most unpopular with the advocates of a big navy. In the last week of January the House subcommittee on the War Department toyed with the idea of abandoning the citizens' military training camps and of recommending the reduction of the army by 10,000 men. Immediately protests from patriotic bodies throughout the nation descended upon Congress. At about the same time a bill sponsored by Representative Byrns of Tennessee, for consolidating the War and Navy Departments at an estimated annual saving of $100,000,000, brought denunciation from all those interested, including the heads of the departments concerned.

The probability of any great saving on national defense became even more unlikely at the end of January as a result of the crisis which suddenly arose in the Far East. The House subcommittee reversed itself in regard to the reduction of the army, while President Hoover was reported to be changing his mind toward naval construction. Likewise the Vinson naval construction bill (see February CURRENT HISTORY, page 710), which had seemed to be safely sidetracked, threatened to reappear on the floor of the House, And, as was to be expected, the advocates of a larger navy found arguments for their stand in the difficulties in the Far East.

UNEMPLOYMENT RELIEF

So far the administration's program for relief has been concerned with aiding the recovery of business generally and has paid little attention to active Federal aid for the greatest social problem of the times—unemployment. As the nation's leading "cracker-box" philosopher has phrased it, "you can always count on us helping those who have lost part of their fortune, but our whole history records nary a case where the loan was for the man who had absolutely nothing." But the growing demand for Federal aid to unemployment came to a head on Feb. 9, when more than one hundred leaders of organized labor appealed to the government to enact the Costigan-La Follette bill appropriating $375,000,000 for relief purposes. The petition set forth that unemployment is increasing steadily, that already about 8,300,000 persons are out of work, and that, because of the inability of local relief agencies to cope with the situation, men, women and children are "hungry, cold and undernourished."

This petition of organized labor had been foreseen for some time, as William Green, president of the American Federation of Labor, had been outspoken in the belief that only Federal aid could relieve the appalling situation that has arisen. The Costigan-La Follette bill for unemployment relief was drawn up after extended hearings before a subcommittee of the Senate Committee on Manufactures. In spite of the opposition of the Hoover Administration, the bill was reported favorably by the committee and came before the Senate for debate on Jan. 31. As introduced, it provided for an appropriation of $375,000,000 for unemployment relief, of which less than half was to be distributed among the States on the basis of population in the present fiscal year. Opposition to the bill was immediately evident, and on Feb. 16 it was defeated in the Senate by a vote—48-35—which disregarded party allegiance.

THE CONDITION OF LABOR

While unemployment seemed to be increasing and the local agencies for relief were either breaking down or at least staggering under a burden greater than they had anticipated, efforts were made throughout the country to find work and to keep wages from being drastically reduced. The American Legion, with the support of the American Federation of Labor,

the Association of National Advertisers and many welfare, church, civic and industrial organizations, planned a drive to begin on Feb. 15, which it was hoped would obtain jobs for 1,000,000 unemployed. In Wisconsin a special session of the Legislature enacted on Jan. 28 the first compulsory unemployment insurance law passed in the United States. The law provides that every employer of ten or more persons whose annual pay is less than $1,500 shall tax his payrolls 2 per cent until a fund of $75 has been built up for each employe. In case of involuntary unemployment, the employe shall be able to draw up to $10 a week for a minimum of ten weeks.

The threat of wage cuts which has hung over business and industry during the past year has not been removed by knowledge of decreased pay in certain major industries and proposals for reductions in the building and printing trades. The outstanding cut of the new year has been that affecting 1,500,000 railroad workers which was accepted on Jan. 31 after protracted negotiations between the presidents of the railroads and the railway union leaders. The latter, naturally opposed to wage reductions, resisted the proposals of the executives as long as possible. (See CURRENT HISTORY for January, page 580, and for February, page 713.) In spite of labor's contention that the cut was unnecessary, the argument based on the steady fall in railroad income was overwhelming. Moreover, the continued decline in railroad employment and the prospect of a greater wage cut than 10 per cent were not without weight. The settlement, which, according to Daniel Willard, president of the Baltimore & Ohio, marks "a distinct epoch" in the history of industrial relations, provided for a 10 per cent wage reduction for one year, for the withdrawal by the railroads of their previous request for a 15 per cent cut and for an attempt on the part of the roads to "maintain and increase railroad employment." As a result of the wage cut the roads expected to save $210,000,000 during the coming year, a saving which the presidents, at least, felt would aid considerably in the fight against the economic misfortunes of the railroads.

BANKRUPTCY OF CITIES

The financial condition of many American cities has grown steadily worse in the past few months. New York City, Chicago, Detroit and Philadelphia have been faced with bankruptcy and only last-minute aid from banking houses has staved off the collapse of municipal functions. The burden of unemployment relief has added to the plight of these and many smaller cities.

THE NATION'S BUSINESS

In the face of all the proposals, plans and schemes to restore normal economic life, the general business conditions of the country showed no improvement. Business indices for January fluctuated slightly, but were perilously near the record low for the period of the depression—62.3 for the week ended Dec. 26. Steel production for January was about 28 per cent of capacity, and on Jan. 26 the United States Steel Corporation reduced its quarterly dividend rate on common stock from $1 to 50 cents. During January there was slackening of output in the automobile industry and the building industry continued to lag. And the stock market—once considered an index of our prosperity—watched security quotations sink slowly until on Feb. 9 they were at new lows.

Farming, which traditionally has been one of the nation's great business enterprises, continues in an almost hopeless state. Prices for farm products have fallen to 63 per cent of the average for the period 1910-1914; the inventory value of farm live stock has dropped nearly $3,000,000,000 in the last two years; while the gross value of farm products in the United States declined $6,139,141,000 in the decade

1919-1929. The Department of Agriculture has warned the farmers not to expect at present any improvement in the foreign market for farm products. Meanwhile, floods in Mississippi and Louisiana added to the troubles of farmers in that section. (For discussion of certain phases of the farm problem see the article by Lemont Harris on pages 781-785 of this issue.)

THE POLITICAL ARENA

In the midst of all the efforts of the nation to readjust itself to distressing economic and social change, preparations for the 1932 political campaign proceeded. To observers, the first weeks of the year brought few startling developments. On Jan. 14 Postmaster General Brown, in a statement which was considered official, declared that President Hoover would be a candidate for renomination. The announcement caused no surprise; in fact, it has long been expected that the President not only will seek renomination, but will find little effective opposition among the Republicans to his being nominated on the first ballot at the Chicago convention. The principal difficulty in the party is to find some way of adding to the Hoover ticket a stronger candidate than Vice President Curtis. But here the party leaders are playing with fire, because Mr. Curtis has let it be known that he desires to run with President Hoover, and because a refusal to renominate him might well alienate the none-too-loyal Western elements in the party.

The Democratic camp has been more lively. On Feb. 7 ex-Governor Alfred E. Smith, the Democratic candidate for the Presidency in 1928, announced that "if the Democratic National Convention, after careful consideration, should decide it wants me to lead, I will make the fight; but I will not make a pre-convention campaign to secure the support of delegates." The friends and supporters of the leader of the party had long awaited such a statement, and were ready to begin immediately the pledging of delegates for the convention. Mr. Smith's action was received with mixed sentiments throughout the country, which had not forgotten the unpleasant features of the 1928 campaign.

The statement must have been especially unpalatable to the men who have been pushing the candidacy of Franklin D. Roosevelt, Governor of New York. Governor Roosevelt, on Jan. 23, informed the Democratic Central Committee of North Dakota that his name might be entered in the Presidential preference primaries to be held in that State on March 15. A strong Roosevelt movement had been organized long since, and the day after his hat was thrown into the ring his supporters estimated that already he possessed within a hundred votes of the number necessary to nominate him on the first ballot at the convention in June. The Governor's announcement of his candidacy was supplemented later by declarations of his attitude on the League of Nations and prohibition. Without equivocation, he declared against American entrance into the League, because it has not developed "along the course contemplated by its founder." The Governor, on Feb. 5, stated his opposition to the Eighteenth Amendment and advocated a new amendment, which would insure "home rule" by the States.

Governor Roosevelt's stand against American participation in the League of Nations followed close on the heels of a pronouncement by Newton D. Baker, a possible contender for the Democratic nomination, that he did not consider the League of Nations a political issue. Mr. Baker said, in an interview on Jan. 26, that he did not believe the United States should enter the League until a majority of the country favored the step. His declaration was considered by many to remove the chief obstacle to his being the Democratic standard bearer in the coming campaign and to indicate his probable candidacy for the nomination.

In the field for the nomination also

there are now Governor Ritchie of Maryland, whose candidacy has been announced definitely; Melvin A. Traylor, president of the First National Bank of Chicago, and many favorite sons, including Speaker Garner of Texas, Governor White of Ohio and ex-Governor Byrd of Virginia. Whether the announcement of Alfred E. Smith that his hat was in the ring will sap the Roosevelt strength enough to bring about a deadlock in the Democratic convention and thus cause the nomination of one of the lesser contenders or a dark horse, no one can foresee, but certainly it is within the realm of possibility. Meanwhile the fight for delegates is in progress in all the States and various divisions within the party, particularly in the State organizations, loom prominently.

THE DILEMMA OF PROHIBITION

Prohibition, like the slavery issue which continually plagued the politicians in the decades before the Civil War, appeared in the halls of Congress during January. On Jan. 21 the first direct vote on the wet and dry issue since prohibition began was taken in the Senate, when, by a vote of 55-15, Senator Bingham's resolution to recommend to the States a referendum on repeal and modification was rejected. Nevertheless, antiprohibitionists in Congress continued their activities to secure either repeal of the Eighteenth Amendment or its modification so as to permit the manufacture and sale of beer. Meanwhile, the New Jersey Legislature had asked for a national referendum on repeal. According to the Association Against the Prohibition Amendment, ten States, with a combined population of 36,003,264, have officially repudiated prohibition. Henry H. Curran, president of the association, has called the attention of Congress to the cost of enforcement of the prohibition laws—$370,000,000 between January, 1920, and June 30, 1931—and to the loss of revenue to the government, which in that same period he estimated at approximately $10,984,000,000. Although the prohibition issue has cut across party lines, the Republicans have officially supported the Eighteenth Amendment, a position that, since recent Congressional elections, has disturbed the less enthusiastic dry elements in the G. O. P.

PUBLIC APPOINTMENTS

The new year has brought to President Hoover an added responsibility in the form of appointments to some of the most important offices under his control. Justice Oliver Wendell Holmes, weighted with years and honors, on Jan. 12 resigned from the Supreme Court. Advanced age—he will be 91 on March 8—and poor health forced him, as he wrote to Chief Justice Hughes, to "bow to the inevitable." Justice Holmes, appointed to the Supreme Court by President Roosevelt in 1902, had held for many years a reputation for "liberalism" in his judicial opinions. Even his greatest admirers, however, often pointed out that he was a sort of nineteenth century liberal, who emphasized the traditional civil liberties at the expense of modern theories of political economy. To fill his place President Hoover on Feb. 15 nominated Benjamin Nathan Cardozo, Chief Judge of the New York State Court of Appeals.

The appointment of Charles G. Dawes as president of the Reconstruction Finance Corporation left vacant the post of Ambassador to the Court of St. James's. All prophecies as to his successor proved false when, on Feb. 3, President Hoover announced that Andrew D. Mellon, for eleven years Secretary of the Treasury, would represent the United States in Great Britain. By a *viva voce* vote the Senate two days later confirmed Mr. Mellon's appointment; as a result, impeachment charges against the Secretary, which were pending in the House of Representatives, were dropped.

Mr. Mellon's successor at the Treasury was named on Feb. 4 in the per-

son of Ogden L. Mills, Under-Secretary of the Treasury, who, according to public rumor, has for some time been carrying the burden of the duties ordinarily assumed by the head of the department.

Other appointments of the past month included James R. Beverley to be Governor of Porto Rico in place of Theodore Roosevelt Jr. On Feb. 9 it was announced that Joseph C. Grew, Ambassador to Turkey, would succeed W. Cameron Forbes as Ambassador to Japan.

THE HAWAIIAN SCANDAL

International interest has been aroused by the events which followed the murder in Honolulu on Jan. 8 of Joseph Kahahawai, a Hawaiian who, with four other suspects, had been on parole pending retrial upon a charge of assaulting the wife of an American naval officer. The unusual concern of people the world over probably arises from the social position of two of the four persons accused of the murder—Lieutenant Thomas H. Massie, husband of the woman alleged to have been assaulted; Mrs. Granville Fortescue, her mother, and Edward J. Lord and Albert O. Jones, two enlisted men of the navy—and also because of the accusations of local misgovernment put forward by naval authorities stationed in the islands. Following the disclosure of the crime, investigations of conditions in Honolulu were instituted by Washington; Seth W. Richardson, Assistant United States Attorney General, was ordered to inquire into a so-called crime wave, and the Territorial legislators themselves voted measures calculated to reform the police system.

State Defeats Church in Mexico

By CHARLES W. HACKETT

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THAT the latest phase of the Church and State conflict in Mexico has been terminated was indicated by developments during January and the first week in February. The advantage seems to have been with the State, since the appeal of the Catholics to the courts against the operation of recent anti-clerical legislation proved futile, and the Church was forced to accept under protest the new legislation, which limits to twenty-four both the number of officiating priests and the churches in which priests may officiate in Mexico City. Petitions for *amparos* (injunctions) against the enforcement of the law were many; by January 20 more than 55,000 were reported to have been filed by civilians in six district courts in Mexico City.

Hearings on the applications began on Jan. 5. That same day four Federal district judges ordered the government to show cause why it should not be enjoined from enforcing the law; one court denied a request for a writ of *amparo* that had been presented by a priest, and another court instructed the petitioner to clarify his appeal against the application of the statute. Parts of the petitions considered by the four courts which ordered the government to show cause why a restraining order should not be granted were rejected, the courts holding that Congress and the Executive could not be enjoined from enacting and signing legislation and that, in this instance, the legislation was already enacted and signed. The hearings, therefore, were on granting *amparos* against the

enforcement of the law itself. When one of the four above-mentioned courts on Jan. 8 denied the petition for *amparo* against the application of the law, the petition was appealed to the Supreme Court, as had been that which was denied on Jan. 5. On Jan. 23 the judges of the six district courts in Mexico City unanimously resolved to refuse all such petitions by either civilians or priests on the ground that the law does not impair the liberty of Catholics in their faith.

Archbishop Francisco Orozco y Jiménez of Jalisco was arrested on Jan. 24 by government agents in Guadalajara on a charge of seditious activities, and on the following morning he was forced to leave by airplane. That same evening he appeared at the United States immigration office in Nogales, Ariz., and asked for a six-month passport.

By way of rejoinder to a Presidential decree of Dec. 29 which established non-sectarianism in Mexican public schools, Archbishop Pascual Díaz on Jan. 25 urged Catholics to continue to educate their children in Catholic instead of government schools. This proposal was seconded on Jan. 29 by Minister of Public Education Narciso Bassols on the ground that such action would leave that much more room in the government schools, which were unable to meet the needs of the country because of overcrowded conditions.

Although rumors of a settlement of the differences between Church and State were published in Mexico City on Jan. 31, six days later Archbishop Díaz announced that, in compliance with instructions from Pope Pius XI, the Catholic Church in Mexico would accept the new Mexican religious laws only under protest.

NEW MEXICAN CABINET

The Mexican Cabinet resigned on Jan. 20 and the same evening a new Ministry was announced by President Ortiz Rubio, with General Juan José Rivas, formerly chief of the Presidential headquarters staff, succeeding Manuel M. Téllez as Minister of the Interior; Manuel M. Téllez, former Ambassador to the United States, succeeding Genaro Estrado as Minister of Foreign Affairs, and Alberto Pani, at the time Ambassador to Spain and former Minister of Finance and also of Foreign Affairs, succeeding Luis Montes de Oca as Minister of Finance. Former President Calles was reappointed Minister of War. The reorganization of the Cabinet was said by some observers to have been due to political activity in behalf of the Presidential candidacy of Luis Montes de Oca, while others attributed it to discontent which developed with the passage of the recent law restricting the clergy in Mexico City and also to a dispute over anti-re-election laws. Señor Estrada, who, as Acting Minister and later as Minister of Foreign Affairs, had served under the last three Mexican Presidents, was appointed Ambassador to Spain and Mexico's representative at the League of Nations.

MEXICAN MORATORIUM EXTENDED

By mutual agreement of the Mexican Ministry of Finance and the International Committee of Bankers on Mexico, the moratorium on Mexico's foreign debt has been extended to Jan. 1, 1934. This was announced by President Ortiz Rubio on Jan. 11, when he submitted the Lamont-Montes de Oca debt agreement to a special session of the Mexican Congress which had been called to consider its ratification. The original Lamont-Montes de Oca agreement was signed in New York on July 25, 1930. It provided for a two-year moratorium from that date and required that Mexico, in return for financial concessions made in the agreement, would deposit, at the disposal of the International Committee of Bankers on Mexico, $5,000,000 on account for the 1931 payment.

The extended moratorium, which

was approved by the Chamber of Deputies on Jan. 13, was signed on Dec. 22, 1931. It was then also agreed that the above-mentioned $5,000,000 (worth about 12,500,000 pesos at the present rate of exchange), which had already been returned to Mexico to steady its foreign exchange, should be allowed to remain there until July 1, 1933. At that time it is to be returned to the credit of the International Committee, to be applied on the first year's payment called for in the new agreement. This fund, temporarily at the disposal of the Mexican Government, is expected to aid in the re-establishment of the country's financial stability.

The Lamont-Montes de Oca agreement of 1930, which was the third of its kind to be arranged between the Mexican Government and the International Committee of Bankers on Mexico since 1922, followed the precedent of European debt arrangements in being based on the principle of capacity to pay. It provided, in effect, for the refunding of virtually the entire principal of the direct debt of the Mexican Government and of the national railways, approximating a total of $500,000,000, but reduced drastically the amounts due for accrued arrears of interest.

STUDENT COOPERATION DECLINED

The National Students' Federation, with headquarters in Mexico City, has declined to participate in the Pan-American students' conference to be held at Miami, Fla., from April 10 to 14. The reason given was that the federation does not wish to establish or maintain relationship with any group "except upon an absolute basis of equality, upon condemnation of imperialism and upon an understanding and recognition of our respective cultures and traditions."

CHIHUAHUA DIVORCE LAW

A liberal divorce law became effective in the State of Chihuahua late in January. This law, which is compared by some to that of Soviet Russia, recognizes mutual desire as sufficient ground for divorce in any case, as well as incompatibility, infidelity, abandonment for more than a year, refusal to support the family, cruelty, physical violence or gross insults, addiction to gambling or liquor and physical incapability. The residence qualification is eliminated, and briefs may be filed by lawyers practicing in Chihuahua. Alimony is fixed according to the financial and economic status of both parties, rather than that of the husband alone.

OKLAHOMA FELLOWSHIP REJECTED

President Ortiz Rubio, on Jan. 8, formally rejected the offer of the Oklahoma Agricultural and Mechanical College of a scholarship in that institution in memory of one of two Mexican students who were slain at Ardmore last June by two American deputy sheriffs. The President said that it would not be possible for the government of Mexico to accept such an offer "until justice says its last word on the painful subject of the assassination."

NICARAGUAN ELECTION PLANS

Rear Admiral Clark Howell Woodward, U. S. N., has been designated chairman of the National Board of Elections which will supervise the Presidential elections in Nicaragua next October. In announcing his selection, the Department of State issued the following statement: "The sole interest of the United States as regards these elections is that by means of fair and open elections, at which everybody who is entitled to vote has an opportunity of doing so, the preference of the Nicaraguan people may freely be expressed. The United States Government of course will not support, nor will it oppose, the candidacy of any person for the nomination or for election to the Presidency."

The confirmation of Admiral Wood-

ward's appointment by the Supreme Court of Nicaragua was announced at Managua on Jan. 12. Three days later it was stated that 300 additional United States marines would be sent to supervise the coming elections. This action temporarily reverses the fixed policy of the Hoover Administration to withdraw, as soon as practicable, our marine forces from Nicaragua. Under a plan arranged in February, 1931, between the United States and Nicaragua the American force in Nicaragua was to have been reduced to approximately 500 men by last June. Because of unstable conditions, however, the full number which was to have been withdrawn has not been withdrawn, and early in 1932 the number of marines still in the country was approximately 1,000.

COMMUNIST UPRISING IN SALVADOR

Activities of Communists in El Salvador late in January brought about a serious internal crisis and this, in turn, resulted in the dispatch of battleships of three foreign governments to that country.

A Communist plot to overthrow the government of Provisional President Maximiliano Martínez, who came into power on Dec. 4 after the overthrow of the Constitutional Government of Arturo Araujo, was frustrated on Jan. 18 by the police. On Jan. 21 a state of siege was declared in six departments as the result of Communist activity. Two days later the United States Government was informed by its Chargé d'Affaires in San Salvador that serious disorders of a communistic nature had broken out; that the Communists were attacking the city of Sonsonati; that fighting was in progress at Tecla, only eight miles from San Salvador; that telephone communications near the capital had been cut and that the railway near Sonsonati had been torn up; that the Italian Consul General had officially requested the assistance of the American Government in protecting the lives and properties of Italian nationals, and that the Italian Consul General and the British Chargé d'Affaires concurred with him in the belief that "the presence of war vessels at Salvadorean ports would have a beneficial moral effect and prevent much bloodshed." Upon receipt of this information the United States Government dispatched three war vessels to El Salvador from Panama. The same day the Department of State was advised by the British Embassy in Washington that a British cruiser was proceeding to El Salvador, and the Canadian Legation advised that "two Canadian destroyers, which happened to be in passage from the west coast of Canada to the Atlantic, have put into the Salvadorean port of Acajutla."

Martial law was decreed throughout the country on Jan. 24. In taking this action the Martínez Government accused the Communists of attempting to instigate a reign of terror, and all persons holding permits to carry guns were authorized to defend themselves with arms, if necessary. Unconfirmed private dispatches received in New York on Jan. 25 stated that 1,000 or more persons had been killed in the uprising over the preceding week-end. Unofficial reports received at Panama the same day estimated the number of killed in several bitterly fought battles at 600. A "noticeable improvement in the situation" was reported to the American Department of State on Jan. 26 by Chargé d'Affaires McCafferty: "The government forces have retaken Iuayua, Izalco and other towns which were in the hands of the Communists. The American destroyers Wickes and Philip are now at La Libertad." No American marines were landed, however, and a British request for permission to land marines to protect British interests brought reassurances from President Martínez that his government was well able to take care of the lives and property of both natives and for-

eigners. Finally, the Navy Department, on Jan. 29, directed Rear Admiral Arthur St. C. Smith to withdraw at his discretion the United States war vessels in Salvadorean waters.

MARTIAL LAW IN HONDURAS

In consequence of a revolutionary movement centring in the banana-growing zone, where the United Fruit Company recently discharged 800 men, martial law was proclaimed throughout Honduras on Jan. 4. Groups of rebels were reported to have appeared in various parts of the country and government troops were said to have successfully attacked a large band threatening San Pedro.

HAITIAN POLITICS

In Congressional elections held in Haiti on Jan. 16 the government party won twenty-six of the thirty-six vacant seats. This victory for the administration of President Vincent virtually eliminates the threat by Opposition Deputies to attempt to abrogate the recent Munro-Leger treaty, under which three of the five treaty departments that had been under United States control since 1915 were returned to Haitian control. In conformity with the policy of the Hoover Administration to transfer authority to Haitian officials both in civil and military departments as soon as practicable, the Haitian National Guard on Feb. 1 took over the Military Department of the West, replacing two United States Marine officers with a Haitian officer. This was the second of five military departments to be transferred to Haitian officers.

CUBAN PRISONERS FREED

Measures designed to afford general amnesty to political prisoners in Cuba occupied the chief attention of Cuban officials during January. Between Dec. 30 and Jan. 9 no fewer than twenty-five leaders in the abortive rebellion of last August were liberated from Cuban prisons, among them being former President Mario G. Menocal and Colonel Carlos Mendieta, the two principal rebels. President Machado carried his amnesty program a step further when, on Jan. 11, he signed a bill which he himself had submitted to Congress and which pardoned all those involved in past anti-administration activities, with the exception of students who had been charged with bombing attempts, the illegal possession of explosives and the violation of other laws. A wholesale release of political prisoners—248 in all—followed. Later in January six new amnesty bills, which were designed to increase the scope of the general measure that had been passed earlier in the month, were ratified by the Cuban Congress. One of these bills, which refers especially to the police and armed forces, pardons all crimes of assassination, homicide and assault committed between Jan. 1, 1929, and Jan. 26, 1932. The other five bills apply to public officials and employes who may have falsified official documents or may have been convicted of the malversation of public funds.

Despite the conciliatory measures of the Machado Government, sporadic bombings and political disturbances continued during January. On Jan. 26 seven university students, of whom four were women, were arrested in Havana, charged with being terrorists and with illegally possessing a large quantity of explosives. At the same time Dr. Ramón Grau San Martín, dean of the Medical School of the University of Havana, was detained in connection with the alleged terroristic plot of the arrested students. It is reported that 129 students are in prison on charges involving violence, and consequently have not been affected by the recent amnesty. An explosion of a bomb in Havana on Jan. 28 killed two members of the secret police; the following day many students were arrested, charged with complicity. A small bomb factory was uncovered by Havana police on Feb. 1 and five persons were arrested.

President Leguia's Dramatic Career

By HENRY GRATTAN DOYLE
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AUGUSTO BERNARDINO LEGUIA Y SALCEDO, the deposed President of Peru, whose eleven-year dictatorship was ended by the revolution of Aug. 25, 1930, died on Feb. 6, 1932, in the Naval Hospital at Bellavista, where he had been taken in November from the Panóptico prison in Lima. He had been transferred there from the penal island of San Lorenzo, in the harbor of El Callao, where, in his heyday, he had been wont to incarcerate enemies of his régime. Apparently he had been taken from the penal island because of fears that efforts to liberate him would have greater chances of success there than at Lima, and partly because it was thought that the penitentiary at Lima would be less injurious to his health. Throughout his imprisonment he was attended by an American physician.

When the aged and ailing ex-President resigned, he had declared, with the sense of the dramatic that was one of his characteristics: "I hereby close another chapter in Peruvian history." His imprisonment and death amid surroundings so different from the scene of his resignation in the Presidential palace eighteen months before provided an equally dramatic finale to a life interesting not only in itself but also from the standpoint of the political history of South America.

Leguía was born at Lambayeque, Peru, on Feb. 19, 1863, of a family that had distinguished itself in the War of Liberation. He was educated at Valparaíso, Chile, returning to Peru to enter business. At the outbreak of the war with Chile he enlisted in the Peruvian Army, and received a number of bullet wounds at the battle of Miraflores. After the war he became a successful life insurance agent, rising to the position of general agent for Peru, Ecuador and Bolivia of an American company. He also organized a number of industrial concerns, and his entry into politics was the result of his success in commercial and financial life. When president of the National Bank of Peru in 1903, he was appointed Minister of Finance in the administration of President Candamo. This post he held also under President José Pardo, in whose first administration he made his mark by increasing the national revenues. Because of this record and his outspoken sympathy for the "under dog," he was able to build up a strong personal following and finally displaced his chief as President in 1908. The first year of his administration was disturbed by revolutionary disorders, in the course of one of which an incident occurred which did much to give him a reputation for coolness and courage. Momentarily successful, the revolutionists had dragged him to the statue of Bolivar in the Plaza de la Inquisición in Lima and there offered him the choice of signing a resignation or being shot. He asked for time to study the document, which he found to be wrongly dated. According to one version, November had been written for May, while according to another, the date was that of a Sunday, which, of course, invalidated the document. At all events, after some delay, the President declared *"No firmo"*—"I will not sign"—and in the nick of time a squadron of loyal cavalry rode into the square and put his captors to

flight. The episode added much to his popularity, and *"No firmo"* became a rallying cry for his supporters throughout his political career.

While not particularly successful, Leguía's first term as President (1908-1912) marked the beginning of the policy of "modernization" which was one of the characteristic features of his later dictatorship. Unfavorable trade conditions and the consequent financial difficulties, however, proved a setback to this program. Leguía was succeeded by Guillermo Billinghurst, of English descent, whose parliamentary reforms led to the overthrow of the government in February, 1914, as the result of which Colonel Oscar Benavides assumed the Presidency. In July, 1915, Dr. José Pardo again became President for the constitutional term ending in 1919. Largely because of the increased demand for cotton and copper caused by the World War, Peru enjoyed relative prosperity during his administration.

In the meantime, Leguía, who had been exiled by his successor, had settled in London, where his business and financial acumen increased his resources and at the same time kept him in the public eye at home. During the six years spent in London ne established many important contacts and doubtless laid the foundations of his fortune. His success seems to be attested by his election as president of the South American Chamber of Commerce in London.

In 1919 he returned to Peru and announced his candidacy for President. In the elections in May of that year he appeared to have been elected, but because of the delay in announcing the results, accompanied by some indications that he might not be declared elected, he instigated a revolt and, on July 4, 1919, overthrew President Pardo and became Provisional President. Congress was dissolved, and a new Constituent Congress gave Peru a new Constitution, under which Leguía was duly installed as Constitutional President in October of that year. The new Constitutional Assembly authorized a five-year Presidential term and permitted re-election of the President. Under these provisions Leguía was re-elected in 1924 and 1929.

The new Constitution provided for regional Congresses, three in number (for Northern, Central and Southern Peru), which were intended to represent regional interests and thereby allay feeling against the dominance of Lima. These Congresses never functioned seriously and there is reason to believe they were not intended to; but their establishment was coupled with the abolition of all other forms of local or provincial self-government, thereby helping to concentrate power in the hands of the central authorities. This was important in the light of later events.

The new President took office on a program which included economic development of the country through a vast program of public works—highways, railroads, paving, port works, reclamation projects and public buildings. These were to be financed by foreign loans. At the same time, foreign capital was invited to help develop the resources of the country. The program included such reforms as legislation to improve labor conditions, the redistribution of large estates and better treatment of the Indians. Strangely enough, the President also declared for free speech and a free press.

These proposals were carried out only in part and in some instances not at all. Only the policy of financing the government by foreign loans seems to have been developed to the utmost. The foreign debt increased between 1919 and 1929 from about $10,000,000 to about $110,000,000. When Leguía left office, the total debt, internal and external, was about six times as large as when he entered it in 1919. According to authoritative statements, construction of roads, railways, city pavements and flood control devices was not at all proportionate to the amounts expended. In the meantime, the fiscal situation was steadily grow-

ing worse. Deficits in the annual budget became a commonplace and were covered by foreign loans, which were justified on the ground that the deficits were due to expenditures on capital account. When the world depression affected the market for Peru's chief products — copper, petroleum, cotton and sugar—the only question was how long the government could avoid financial collapse. A record-breaking low quotation for Peruvian currency was almost synchronous with the overthrow of the President (see CURRENT HISTORY, October, 1930).

It is in the realm of political liberties, however, that the pages of Leguía's record seem to be the blackest. Political parties were crushed or forced to submit to the dictator's plans. Opposition leaders were exiled. In 1929 only three political groups were allowed to participate in the Presidential elections, and all three supported Leguia. This technique, to which the multiplicity of parties in Latin countries readily lends itself, has been not infrequently employed by "personalist" rulers like Leguía.

Freedom of speech and of the press, the greatest bulwark of free governments and the greatest foe of tyrannies, was similarly dealt with. *La Prensa* of Lima was seized in 1921 and reappeared as a governmental mouthpiece. Because of the government's spy system, it became dangerous, according to Leguía's enemies, to criticize or oppose the dictator. Opposition meant imprisonment or exile. It was in the University of San Marcos that freedom of speech found its last refuge. After a new law had deprived the university of its autonomous government, professors were dismissed and even exiled for opposition to the President. One of the last acts of the dictator, according to his opponents, was an attempt to deprive the rector of the university, Dr. José Matías Manzanilla, of his retirement allowance because of his defense of free speech. The university students were in almost continuous conflict with the government—an attitude in striking contrast with the enthusiasm with which they had hailed Leguía's program in 1919, when they called him "the teacher of the new generations." Their constant agitation undoubtedly played a large part in his downfall.

Criticism of President Leguía because of his settlement of the Tacna-Ariça question with Chile in 1929, after half a century of ill feeling, while understandable as an expression of patriotic and nationalist feeling, does not seem to be justified. The settlement was pretty generally approved throughout Latin America. Here again, however, the dictator's action was not in accord with his professions, inasmuch as one of the points on which he brought about the overthrow of President Pardo in 1919 was the latter's failure to recover the "Lost Provinces."

Personally Leguía seems to have been a man of abundant energy, resourcefulness and courage amounting almost to audacity, though his opponents deny this. A frail little man, weighing only about a hundred pounds, he has been likened to a gamecock. Comparisons with Roosevelt, Caesar and Napoleon were common during his régime, and were apparently indulged in even by American Ambassador Moore.

The question of his personal integrity remains undetermined as far as incontrovertible evidence is concerned. His will, published after his death, declared that his only remaining material possessions were some life insurance policies and the medals and decorations he had received; but this statement was apparently written after fines totaling more than $7,000,000 had been levied against him and his family, and after all their properties had been confiscated. Reports at the time of the revolution of August, 1930, attributed to Leguía the possession of an immense fortune, alleged to be deposited in Great Britain. Reference was made in these pages last

month to the "commission" collected by Juan Leguía, his son, from American bankers for "services" in arranging a loan. Undoubtedly, graft and corruption existed under his administration, as they have in other administrations, even outside Latin America. The relatively disproportionate results obtained from the expenditure on public works of funds borrowed abroad indicate this pretty clearly. To what extent President Leguía or his family were guilty of such peculations, if they were, may never be known.

Probably the most remarkable thing about his downfall is the complete collapse of his régime. The revolt at Arequipa was not in itself necessarily an indication of the end. His resignation, it will be recalled, was a "Pretorian guard" affair, forced by his closest military supporters. If he had been able to rely on any substantial elements of the population, he might have weathered the storm of August, 1930, as he had weathered others. He fell because adverse economic circumstances combined with a factor that is the essential weakness of all dictators—namely, their lack of any real support from public opinion. They must rule fundamentally by terrorism, favoritism or bribery. None of these methods conduces to the building up of elements of support that can withstand adversity.

ARGENTINE AFFAIRS

Persistent reports that former President Irigoyen of Argentina had been brought to Buenos Aires from his place of imprisonment on Martín García Island have appeared in the press. It is said that in view of his great age and infirmities, as well as the imprisonment he has already undergone, the charges against him will be dropped, or that if he is tried and found guilty, Provisional President Uriburu will pardon him. It was also reported that the arrest of Horacio Oyhanuarte, Foreign Minister of Argentina under Irigoyen, who has been living in Uruguay, had been ordered by the Uruguayan courts. Argentina had requested his extradition.

Early return to constitutional government in Argentina seemed assured at the time of writing. General Agustín Justo was declared President-elect by the National Electoral College on Jan. 30. He received 234 electoral votes and his opponent, Dr. de la Torre, 124. Dr. Julio Roca was elected Vice President. Provincial electoral colleges were convoked to meet on Feb. 5 to elect Governors and Vice Governors of provinces in place of the Federal interventors who have governed twelve of the fourteen provinces since the revolution of 1930.

GOVERNMENT IN BRAZIL

Restoration of constitutional government in Argentina means that only one provisional or revolutionary government will remain in power in South America—that of President Getulio Vargas of Brazil. A dispatch from Rio de Janeiro on Jan. 30 stated that Brazilians hoped for the restoration of a constitutional régime by Oct. 24, 1932, the second anniversary of the overthrow of President Washington Luis.

PARAGUAY'S PRESIDENT

One of the South American Presidents who fell in the upheavals of 1930 and 1931 was restored to office on Jan. 28, when José P. Guggiari reassumed the Presidency of Paraguay, which he had surrendered to the Vice President last October pending an investigation of his own responsibility for the killing of five university students during their demonstration against the government's conciliatory policy toward Bolivia in the Gran Chaco dispute. An investigating commission absolved Guggiari of all blame. His term expires on Aug. 15, however, and it is likely that he will be succeeded by Dr. Eusebio Ayala, who has been nominated by the dominant Liberal party. Dr. Ayala is an able jurist and diplomat who formerly

served as Paraguayan Minister to Washington.

SOUTH AMERICAN LOANS

The investigation by the Finance Committee of the United States Senate of the flotation of foreign bonds in this country, during which a great deal of attention was given to South American borrowings (see CURRENT HISTORY for February, 1932), was suspended on Jan. 27. Senator Johnson of California, who played a prominent part in the hearings, has introduced legislation intended to effect close supervision of such loans in the future. One of his bills would establish a foreign loan board, composed of the Secretaries of State and Commerce and the governor of the Federal Reserve Board, which would pass on such loans, not only in respect to their financial aspects, but also as they affect international relations. Another bill would require the lender to report to the Secretary of Commerce the terms, security and estimated profits of all foreign loans. Still another would make it unlawful to lend to or deal in the obligations of a foreign government or territorial division of a country which was in default in its loan obligations to citizens or the Government of the United States.

Much of the time of the committee was devoted to investigating the implications that efforts made by the State Department to obtain reinstatement of the Barco oil concessions in Colombia were coupled with fulfillment by the National City Company of New York of its contract to make a final payment of $4,000,000 on a credit of $20,000,000 to Colombia. The situation was complicated by an allegation that Secretary of the Treasury Mellon was financially interested in the Barco concession, and that he had discussed the concession with President Olaya Herrera of Colombia. This was denied by both gentlemen. State Department officials, in their testimony, denied that there was any connection between the two transactions, both of which were carried to a successful conclusion in June, 1931.

On Feb. 9 Ecuador went off the gold standard until Nov. 10, 1932.

British Premier's Lack of Power

By J. BARTLET BREBNER
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EVER since the general election which gave the Conservatives a sweeping majority over all other parties in the British House of Commons, events have progressively revealed the unreality of Mr. MacDonald's Prime Ministership and of the name "National" Government. In effect he has been the prisoner of the predominantly Conservative army which he has been nominally commanding. Mr. Baldwin's loyalty to him and his own political dexterity have thus far kept him in his position, but he is virtually without power, and he has had to accept humiliations and expedients so obvious that semi-official denials of his impending resignation proved necessary about the middle of January.

The clearest sign of Conservative contempt for the Premier's wishes was seen in the resignation of Sir William Jowitt as Attorney General on Jan. 24. Jowitt had followed MacDonald out of the Labor party and had been given a place in the government, but was defeated at the general election. The normal procedure would have been for a government member

to resign a safe seat in his favor. Not only was this not done, but when Sir Thomas Inskip (Conservative) was promoted from Solicitor General to Attorney General, on Jan. 26, Sir Frank Merriman, also a Conservative, took his place, thus increasing the Conservative majority in the government.

Further trouble developed in the Cabinet Committee on the Balance of Trade, which was preparing tariff proposals for Parliament. On Jan. 21 it was announced that Lord Snowden had threatened to resign rather than accept the proposed tariff. Next day it was learned that Sir Herbert Samuel, Sir Donald MacLean and Sir Archibald Sinclair had joined him and that Mr. Runciman's position was doubtful. It was in these circumstances that Mr. MacDonald could hold his Cabinet together and maintain his own position only by abandoning a constitutional principle which had been in force since 1784 and which had been considered essential to successful Parliamentary government. On Jan. 22 the following official statement was issued:

> The Cabinet has had before it the report of the Committee on the Balance of Trade, and after prolonged discussion it has been found impossible to reach a unanimous conclusion on the committee's recommendations.
>
> The Cabinet, however, is deeply impressed with the paramount importance of maintaining national unity in the presence of the grave problems that now confront this country and the whole world.
>
> It has accordingly determined that some modification of usual Ministerial practice is required and has decided that Ministers who find themselves unable to support the conclusions arrived at by the majority of their colleagues on the subject of import duties and cognate matters are to be at liberty to express their views by speech and vote.
>
> The Cabinet, being essentially united on all other matters of policy, believes that by this special provision it is best interpreting the will of the nation and the needs of the time.

Apart from the indignity of this device, it seemed to have little constitutional usefulness. The small Labor party opposition on Feb. 8 mad the subject of a vote of censure, w was easily defeated by 438 to 39, many members absented themse from the division, and Mr. Baldw explanation that the Cabinet taken collective responsibility for departure from collective action coldly received. In all, it was felt t abandonment of the traditional col tive responsibility of the Cabinet a mistake and that there should be repetition of speeches by Minist such as those of Sir Herbert Sam and Sir Donald MacLean, against policy of the government to wh they belonged. If the privilege of c sidence were claimed by members Parliament generally there would a diminution of Cabinet dictatorsl over Parliament, but only at the c of governmental efficiency.

Some observers detected a mov ment toward group, in place of tw party, government in Great Brita. The Labor party, for instance, though opposing the Cabinet's acti for immediate tactical purposes, h found collective Cabinet responsibili an embarrassment during its pa minority governments and might glad to accept Mr. MacDonald's pre edent on a similar occasion in th future. If this view was correct, th "Mother of Parliaments" began, o Jan. 22, to follow the example of he Continental daughters and, in partici lar, that of France.

Mr. MacDonald attended only th first day of the session, on Feb. 2 Next day he underwent a successfu operation for glaucoma, which wa expected to necessitate his absence fo two or three weeks. It was eviden that during that time no difficulty would prevent the passage into law o the general tariff which was outlined on Feb. 4 by Neville Chamberlain, Chancellor of the Exchequer. Under it a minimum tariff of 10 per cent was to be imposed after March 1 on all imports except raw cotton, wool, meat, fish and wheat. In addition, the Tariff Commission to be created might

raise any duty to as much as 100 per cent against a country which discriminated against British goods.

It was notable that the heavy industries had succeeded (where they failed in December) in subjecting iron and steel to the tariff. The McKenna duties on such articles as automobiles, the abnormal import levies of November and December and the seasonal tariffs on fruits and vegetables were retained. The Dominions and colonies were to be exempt until after the Ottawa conference in July. A plan for free ports with bonded warehouses to handle the large re-export trade was reported to be under consideration.

One of the chief British objections to tariffs had been that they could debauch domestic politics by giving the government the disposal of special favors to industry. In addition, Great Britain generally and the international bankers of London in particular were anxious to increase rather than decrease the flow of international trade. For these reasons the general rate was fixed at a low level, efforts were to be made to keep the Tariff Commission out of politics, and it was planned to use the power to raise rates as a weapon whereby reciprocal agreements could be secured with other countries.

Significantly, the countries for immediate consideration were Denmark and Argentina, not the Dominions. Indeed, discussion centred on some kind of customs union of countries which had gone off the gold standard and had traded heavily with Great Britain in the past, while Mr. Thomas gave public notice to the Dominions concerning their plans for Ottawa that "no conference will be successful or beneficial if it is assumed that all the concessions are on one side." Commercial negotiations such as were contemplated would involve long-drawn-out denunciation of existing treaties and rearrangement of general trade relations by Great Britain, and even more so by the countries which entered into reciprocal relations with her.

The contemporary British passion for protection and economic nationalism was being carried to some remarkable extremes. The "Buy British" movement became the subject of jokes in *Punch*, but reality was as humorous as fiction when the British Broadcasting Company was urged to give up foreign music for domestic and when residence permits to foreign actors and musicians began to be withdrawn or refused. Cooler counsels were apparent toward the end of January, but they were exceptions to the prevailing sentiment.

The publication of the statistics for December revealed that the upward trend of imports had been checked and that exports and re-exports had increased slightly. Nevertheless, the visible adverse balance for 1931 was £409,000,000, as against £387,000,000 in 1930, and it was known that the favorable "invisible" items in the balance of payments, notably returns from foreign investments and shipping services, would be radically diminished. The adverse balance of payments in 1931 was estimated at £113,000,000. Improvement in the textile industry continued, with smaller revivals elsewhere.

At the end of 1931 there were 118,000 more registered workers in employment than in the year before, but also some 99,000 or more unemployed. This was in spite of the fact that about 90,000 (chiefly married women) had been taken off the register. In all, the percentage of unemployed to workers on the register had increased from 20.2 per cent in December, 1930, to 20.9 per cent in December, 1931. The first of the monthly reports, which have replaced the weekly reports, was made public on Feb. 8. The cabled summary showed an increase of 218,490 unemployed during January, making the total 2,131,298, but, as the last weekly figure (for Dec. 21) was 2,506,719, particulars of the elaborate new tabula-

tion and analysis must be known before conclusions can be drawn. The January increase was very discouraging, although it was less than the decrease of approximately 320,000 which had occurred between Sept. 28 and Dec. 21.

The effort to curb inflation continued, as did that to balance the budget. The gold reserve of Feb. 4 was a little over $600,000,000, but the Bank of England's reserve ratio had risen to 38.92 per cent. Owing to a substantial reduction in expenditure and a public-spirited rush to pay income tax, the treasury deficit on Feb. 5 (with eight weeks for further receipts) was £88,000,000, as compared with the £95,250,000 of 1931. On Feb. 1 the remaining $150,000,000 of the Aug. 1 credits were paid off in Paris and New York without affecting the gold reserve. The New York account had been almost liquidated as long ago as November, but it was believed that the franc balances were amassed from sales of Indian gold. India, which had regularly taken about $60,000,000 of the world's gold supply out of circulation every year, was using some of her hoards to pay off her debts in depreciated sterling. The pound rose from $3.365 on Jan. 5 to $3.455 on Feb. 8. The index of prices at the end of 1931 was 65.8, as compared with 68.7 at the end of 1930 and 60.4 before the pound went off gold.

A number of prominent persons died in January, among them William Graham and Dr. Marion Phillips, both of first rank in the Labor party; Sir Sidney Low and Lytton Strachey, authors and historians, and Bishop Charles Gore of Birmingham, the leader of the High Church party.

On Jan. 27 the submarine M-2 sank by the head with open hatches in the Channel and all sixty-one of her crew were lost.

On Feb. 8 the Admiralty announced that the Singapore naval base would be "completed as planned," but inasmuch as its construction has been a pawn in policy since 1920 some corroboration s to time and means must be awaited

THE RISH FREE STATE

The mnth in the Irish Free State was give over to preparations for the geneal election on Feb. 16. A great de depended upon the British tariff prposals, but it was not until Feb. 4 tht President Cosgrave could make potical capital out of them. He had hped for a British tariff on food wth preference for the Free State. f that should fail, it still seeme probable that emphasis upon the ne economic organization of the empire o be effected at Ottawa might appeal ore strongly to the voters than de alera's proposal to default on the ad annuities payable to a Great Britin which could easily respond by aking Danish and Dutch products intead of Irish. Major Redmond, leade of the National League, entered the lection campaign as an out-and-out spporter of President Cosgrave's Fiana Fail party.

AUSTRALIAN FINANCES

Later informaton from Australia reveals the fact hat the Country party, which was nt represented in Mr. Lyons's Fedeal Cabinet, demanded the Customs prtfolio in order to be assured that its eanings toward free trade might fina expression in tariff revision. Mr. Lyons's refusal did not deprive him of his absolute majority in the Commonwealth Parliament, but he could no loger count upon unqualified Country party cooperation in his coalition. His government had no plans for extensive tariff revision, but proposed to depend on the advice of a Federal tariff board. The balance of trade had been converted from an adverse rate of $150,000,000 a year to a favorable one of the same amount. The Federal budget seemed likely to balance because of the moratorium on war debts, and all the States except New South Wales were loyally supporting the Premiers' plan of financial reconstruction. The

Australian pound was at a discount of about 20 per cent in terms of sterling.

Mr. Lang, still Premier of New South Wales in spite of his reverses in the Federal arena, announced on Jan. 31 that his State would default on its interest payments due on Feb. 1. In 1931 the Federal Government made good previous defaults, but Mr. Lyons at first decided that it could not continue to meet those obligations except by handing over to the bondholders, in partial satisfaction of the interest due, the monthly payments ordinarily made by the Federal treasury to New South Wales. Mr. Lang's action produced a bad effect on Australian credit generally, and on Feb. 9 Mr. Lyons announced that the Federal Government had decided to make good the default as soon as it could carry out the necessary arrangements. State and Federal securities at once improved. Meanwhile the Federal Government "will use every available method to compel the New South Wales Government to pay the full amount," that is, will have recourse to the courts to reimburse itself.

CANADA'S BURDENS

A succession of minor events rather than any major development marked Canadian efforts to carry the burden of the current depression. Actually, the country was rather more than maintaining its position. The government deficit for the twelve months ended Jan. 31 was only about $19,000,000. A continued monthly favorable balance of trade made the total from April to December, 1931, favorable by almost $11,000,000. Wheat exports in bulk and value were better than in 1930. A rise of 28 per cent in gold production partially offset the decline in price and production of other minerals. The domestic financial market followed up its subscription of the Dominion and the New Brunswick loans by undertaking $15,000,000 for Montreal and $25,000,000 for Ontario. The dollar rose from about 84 cents (United States) to about 86 cents.

H. H. Stevens and W. D. Stewart, representing the Canadian and New Zealand Governments, respectively, agreed at Honolulu on Jan. 9 to a commercial treaty for submission to the Parliaments of the two Dominions. A weakening support for high-tariff policies, particularly as directed against Great Britain, held promise of fruitful negotiations in the imperial conference which is to be held on July 18 at Ottawa. Even more powerful was the revelation that the United States tariff had almost shut out Canadian farm products. In spite of that, Canada in 1931 exported twice as much as any other country to the United States — $130,000,000 worth less than she bought—but the conference might divert some proportion of those purchases to Great Britain and the Dominions if they would take the farm products rejected by the United States.

Little legislation was announced for the parliamentary session which opened on Feb. 4. Some tax increases were necessary and some tariff adjustments attendant on the treaty with New Zealand. The report of the Transportation Commission was expected and with it a revival of the public ownership question. The St. Lawrence waterway projects seemed unlikely to win immediate action because of opposition to such vast commitments at the present time. The Quebec Legislature on Jan. 14 carried a motion opposing them by 54 to 7.

Premier John Bracken of Manitoba aroused interest with a proposal for the union of Manitoba, Saskatchewan and Alberta in a single prairie province of about 2,400,000 people. The obvious advantages in governmental economy were faced by local inertia and differences and by such provoking problems as the selection of a capital and the future of the three provincial universities.

The 10 per cent cut in the wages of railway operatives which the com-

panies had tried to make effective from Nov. 16 was agreed upon as from Dec. 1.

SOUTH AFRICAN GOLD PROBLEM

Opposition to retention of the gold standard in the Union of South Africa continued in spite of the government's decision in October. When Parliament met on Jan. 27 Prime Minister Herzog was goaded into proposing the creation of a select committee to investigate the problem. General Smuts and his followers were worried lest the committee be a mere agency of the government, and initiated efforts to convince Parliament itself that the gold standard was injuring South Africa.

A regular air mail and passenger service between London and Cape Town began its operations on Jan. 20 after twelve years of preparatory work. The schedule for the 8,000 miles was eleven days, but even without night flying it was hoped that it might soon safely be reduced to nine.

THE STRUGGLE IN INDIA

The arrest of Gandhi and most of the Congress leaders in India has been followed by a bitter struggle which has, on the whole, increased in cruelty and violence. Lord Willingdon, the Viceroy, whether on his own initiative or under orders from the government in London, has directed a decisive and unrelenting war against the Congress party and against the Red Shirts on the Northwest Frontier. By ordinance his powers have been made almost dictatorial. His refusal to see Gandhi, who asked for an interview before concurring with the other members of the Congress Working Committee in a resumption of civil disobedience, was held by many to have been a mistake. It was argued that Gandhi alone might have been able to restrain his extremist colleagues who had not waited for his return from England before embarking on defiance of the government. Whether he could have done so or not, the Viceroy acted, and now the men who could have spoken for the Congress are in prison.

Tragic as the actual course of events was during January, the basic facts deserved more attention. After the first Round-Table Conference Gandhi decided not to capitalize the common purpose which to a large extent inspired the Indian people, because he hoped to win more substantial independence from Great Britain. He had another chance to take the bird in hand at the second conference in 1931, but before he could decide to run the risk the unanimity that had existed among the different sections disappeared. Now not only are Hindus and Moslems divided but the Untouchables have partly broken away and the Princes whose support made a Federal India a possibility have fallen out among themselves. Finally, the British Government has decided, in default of Indian agreement, to draft constitutional arrangements itself and meanwhile to try to maintain order by force.

The British have, in effect, tried since the beginning of the year to put all the trouble makers in jail and either overawe the rest or win their tolerance until the new Constitution is ready. Their Indian opponents have been trying completely to disrupt this campaign and, in addition, to destroy the economic foundations of British rule. The British campaign might unite self-conscious India again and has shown some signs of doing so during January. Yet in such a country as India has proved to be, no absolute victory for either side was likely. Once again the quest had to be for a compromise, of which there are as yet no signs.

The British Raj carried out wholesale arrests of men, women and children, and the police charged some gatherings with staves and fired on others. The police, magistrates and judges were endowed with extreme powers of repression. Picketing was declared illegal. A few lives were lost.

The jails were full. Some of the Indian opponents forgot non-violence and were responsible for bombing, shooting and the derailing of trains. Others, notably in Bombay and Calcutta, used persuasion with considerable effect to conduct a boycott of British goods and to check Indian exports of gold. Still others urged the peasants not to pay rent or taxes.

Basically both campaigns were destructive, for Indian opposition was not likely to make a British Conservative Government more generous in conceding autonomy. The British Government remained formally loyal to the declaration of Parliament in favor of granting a large measure of Indian self-government by sending out the three special committees which were decided upon at the Round Table Conference (on franchise, federal finance and federal-provincial arrangements), and by naming a general working committee in India.

The official program was for investigation in India until May, the working out of a constitutional compromise in London by September, its submission to a third Round-Table Conference in December and its enactment by March, 1933. Meanwhile substantial elements in India announced their refusal to cooperate with the committees unless repression ceased. The only hope was that by some miracle the British and their few Indian collaborators (mainly liberals on both sides) might evolve a constitution which would win broad Indian approval. In the meantime force was the order of the day.

Burma's Demand for Home Rule

By CLAUDE F. STRICKLAND

Formerly of the Indian Civil Service

ALTHOUGH some surprise was expressed when Prime Minister Ramsay MacDonald declared the Round-Table Conference on Burma closed and ended on Jan. 12, 1932, the work which such a conference may do is in reality completed. The parallel meeting to discuss Indian problems was faced with greater and less soluble difficulties, and did not get very far. Upon Burmese questions, however, substantial agreement has been reached, and unless the unexpected occurs, Burma will have a self-governing Constitution in the near future.

Burma, with an area of over 262,000 square miles, is at present a Governor's Province of British India. The Burmese population of about 14,000,000 is made up principally of Burmans, but there are 1,250,000 Shans and the same number of Karens, about 1,000,000 Indians, and a good proportion of Chins, Kachins and Arakanese. The Burman preponderance has lent unity to the country's demands, for this race is made coherent by language and religion and the memory of a recent national life overthrown only by the British conquest of Mandalay in 1885. In addition, the movement for self-government has received on the whole the support of the Shans, Karens and other communities. Contrary to the predicament in India, therefore, the Burmese situation is not complicated by a great variety of opinion.

Although certain elements have asked for federation with India until self-government is achieved, the average Burman dislikes the Indian, for, shortly after the British conquest,

when no Burmese were sufficiently educated for government posts, Indian officials flowed in, along with Indian lawyers and Indian money-lenders. Uprising against foreign domination, whether Indian or British, will meet Burmese support, as the experience of the Saya San rebellion of December, 1930, proved. Uncontrolled Indian immigration, as well as British imperialism, does not please the Burmese Nationalist. The much desired dominion status in Burma would free the native economy from the allegedly unfavorable Indian tariff—that is, at present no export duty is levied on Burmese oil and rice going to India—and would permit the central government to be nearer than the remote city of Delhi, and would provide for the discussion in the Legislature of matters which relate directly to Burma. Separation will encourage India to mind her own business and will permit India to do the same.

While the official representatives of Great Britain in Burma are not personally disliked, in all social and religious matters they are even more strange to the Burman than is the Indian. The powerful commercial houses of the British and other white races are believed to block the advance of Burmese competitors, and the cost of an administration in which many of the highest posts are held by Europeans is unduly heavy. Few Burmese are recruited for the army, and the sight of Indian and British regiments is a constant reminder of the national downfall. If arguments of policy did not suggest a pause, the cry for complete separation from India would no doubt be unanimous.

Though the Burmese puzzle is less baffling than that of India, the constitutional problem is here, too, complicated by minorities. The sense of nationality among the minorities is not less acute than that of the Burmans themselves; the Indians are highly race-conscious, and even if born in the country are regarded as entirely alien, while the commercial prominence of the comparatively few Chinese and Europeans entitles them to special consideration. There is even a question similar to that of the Indian princes, since almost all the Shans live in the forty-eight Shan States on the borders of China and Siam, and a few Karen States lie beside them. Their representatives vigorously asserted in the conference a claim to separate administration and identity, and it was agreed that while collaborating with the Burmese Government in joint services for such purposes as posts, customs and railways, the States should retain their autonomy in other respects and should remain directly under the authority of the Governor. The difficulty of the "princes" was thus more readily overcome in Burma than in the huge Indian Federation.

The business of self-government will not be entirely unfamiliar to the Burmese Ministers upon whom the duty will fall. The province already enjoys Parliamentary government under the present Constitution as reformed in 1923. While defense, law and order, land-taxes and finance are administered by civil servants (some of whom are Burmese) under the Governor, such weighty matters as education, health, agriculture, public works and the voting of the budget are in the hands of the legislative council and two responsible Ministers (one Burman, one Chinese). This system of divided control, or "dyarchy," has functioned for nine years, not without jolts and stresses, yet with an efficiency creditable to all concerned. The conference has now planned a bi-cameral Legislature: a Senate of perhaps forty members, partly elected and partly nominated, and an Assembly three times as numerous and all elected. The Cabinet of six or eight Ministers will be collectively responsible to this Legislature, which will control financial administration, law and order, the land-tax and all branches of

the government except those—principally defense, maintenance of the country's financial credit, guidance of the Shan States, and protection of the minorities—which, for the time at least, are specifically reserved to the Governor. Even on these subjects the Ministry will have abundant opportunity of discussion with the Governor, since the welfare of Burma as a whole is in his charge.

Some disappointment has been felt at the long list of subjects reserved, but a brief reflection will show the urgent need of caution in the great experiment of democracy among Oriental races. The experiment is without precedent, the Filipino Constitution being limited in notable respects and the Japanese people being guided by an aristocracy of traditional authority to which Burma can supply no parallel. The Burmese, and the Burman in particular, is a man of careless heart and little thrift or foresight, merry but vengeful, strenuous in short spells but wearied by routine and exactitude. His old army, on which his title to a military reputation rests, was a horde of fierce irregulars, and later attempts to train and discipline the Burman have met with little success. He has now to form a new army, if Burma is to defend herself. It is perhaps fortunate that no aggressive neighbor is on her frontiers.

Communal discords, again, cannot be lightly regarded. Savage riots in Rangoon and elsewhere have resulted in the slaughter of Indians and Chinese, and the minorities might well be apprehensive under the government of a Burman majority. Nor can finance and the national credit be neglected. On separation from India, Burma will shoulder her share of the Indian public debt. The money was lent on the credit of a British Government, which must now by some means insure the punctual payment of interest and the sinking fund. A Burman, in his domestic affairs, keeps no accounts. Money is made to be spent, and the morrow will take care of itself. Serious politicians and administrators will, we may indeed hope, realize their financial duty, but the Assembly may be light-hearted and allow a deficit to arise. Deficits are not unknown even in America and Europe, and where political experience is short and accounting rules are unpopular, there must in the last resort be a check on the purse. Currency, too, is dangerous for amateurs to handle, and confidence is quickly shaken in the East.

It will not be unreasonable for Great Britain to lay a gentle hand on the Burmese bridle from time to time, or even to insist on a light guiding rein. The rein will not necessarily be in British hands. One-third of the civil service (the district magistrates and officers) is already Burmese, and the new men annually recruited are almost all of the native races. During 1930 a Burman (Sir Joseph Maung Gyi) held the supreme post of Governor. Yet no doubt the change in the personnel will be gradual, and the withdrawal of safeguards and reservations waits on evidence that the elected Ministers will be courageous, responsible and fair. Extension of the franchise, too, must proceed by stages. Though women are admitted to the roll on the same terms as men, the present electorate of 200,000 is no more than 4 per cent of the adult population. It will be some time before this figure can be revised.

The plans for Burma now depend, the conference having broken up, upon an inquiry into the probable revenues and expenditure of the future Dominion. The Simon Commission, reporting in 1930, suggested certain lines of financial readjustment which should be equitable to all parties and which should produce a balanced Burmese budget. An annual contribution to India for defense may be recommended for that period during which the Burmese forces will be themselves organized, the precise figure of the national debt has to be recorded and the in-

come from the land-tax and other rural sources must be estimated afresh in view of the prolonged agricultural depression. A general election in Burma is due to take place, under the existing Constitution, in November, 1932. Progress will by that time have been made by the subcommittees of the Indian conference, which are now elaborating in India the details of the Indian franchise and the financial relations between the Indian States and the British provinces; Burma will then see plainly her alternatives, a national government at home, with possibly heavier burdens but greater independence, or adherence to the Indian Federation with its wider horizon and its inevitable restrictions on provincial autonomy. By that time, also, the degree of self-government, which India is herself to enjoy, may be more definitely known, and this, too, will be an element in the Burmese calculation. The issue of the future will then be laid before the Burmese voter, and if, as the omens indicate, he elects for separation, the Dominion of Burma should be well and truly founded in the Summer of 1933.

Briand Leaves the French Cabinet

By OTHON G. GUERLAC
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M. LAVAL had nearly completed a year as French Premier, a notable feat of Ministerial longevity in this post-war period, when the death of M. Maginot, Minister of War, forced him to remodel his Cabinet. Formed on Jan. 26, 1931, this Cabinet had, to be sure, resigned on June 13 after the advent of President Doumer. But that was only a formality imposed by precedent and bringing about no changes. The present Laval Cabinet, which presented itself officially to Parliament on Jan. 19, while technically the third Laval Cabinet, is for all practical purposes the same group that has administered the affairs of France during the past year.

There is one great difference, however. It is not that M. Tardieu, Minister of Agriculture, was made Minister of War, nor that two Under-Secretaries, MM. Cathala and Fould, were promoted to Ministers of their respective departments, the Interior and Agriculture. It is the departure of M. Briand, whose place as Foreign Minister has been taken by M. Laval himself, that gives a special significance to this new political formation.

Why did M. Briand disappear from the scene? The Minister who had directed foreign policies for seven years without interruption had been in poor health for some time. Indeed, except for his visits last Summer to London and Berlin, and for his regular attendance at the League of Nations meetings, he had lately let M. Laval carry on all the more delicate negotiations with the German, British and American Governments. When it became necessary to remodel the Cabinet, therefore, it was only natural that M. Briand should have been relieved of the burden he had borne so long. According to the official statement, M. Laval asked Briand to "continue to give to the government the benefit of his authority and experience in the form that he would deem most convenient." This meant that Briand would hold some sort of honorary position as "Minister of State," such as existed during the late war. But M. Briand did not accept. His labors were at an end. M. Laval there-

upon spoke on Jan. 22 of M. Briand, his person and his policy. "This policy," he stated, "has met with the almost unanimous approval of Parliament. Of this policy of peace I remain the disciple and will endeavor to be the faithful workman."

Such is the official version of the retirement and replacement of M. Briand. Those in Parliament or on the press who have identified themselves with Briand's policy, however, have refused to accept the explanation given and have insisted that the resignation was in fact what the Socialist paper *Le Populaire* called a "dismissal," and what others termed a "disembarkment." The Radical-Socialist group in the Senate known as "the Democratic Left," the group in the Chamber of Deputies known as "the French Socialists," as well as many political organizations in the provinces, drafted addresses of regret at their leader's departure and promised to remain faithful to his policy. At the monthly meeting of the executive committee of the Radical-Socialist party on Jan. 20, M. Herriot paid the departing Minister a tribute which was warmly applauded by the whole assembly. As M. Laval read his Ministerial declaration on Jan. 19, he had been greeted with the cry of "Vive Briand," and every speech by members of the Left had stressed what was considered the ominous absence of "the man of Locarno." M. Marin, the leader of the Nationalists and a supporter of the Cabinet, made in the course of the same debate a statement which could not but embarrass his chief, M. Laval, when he exclaimed: "Today a man has disappeared; tomorrow it will be his policy." The Opposition greeted this frank avowal as an expression of the real feelings of the government. Whether it is or not, it probably represents the views of a certain portion of the press which supports M. Laval and which has not ceased to wage a bitter and often scurrilous warfare against M. Briand. At any rate, the motion of the Radical-Socialists embodying the sentiments of the Left party toward Briand was defeated by a majority of only thirty-eight, one of the smallest M. Laval has received. The Cabinet appeared weakened by the loss of its most outstanding figure.

The change at the Foreign Office was only one of the serious issues that the reorganization of the Cabinet brought to the fore. The other was the attitude of the Radical-Socialist party toward the new government. It was M. Laval himself who raised the issue on Jan. 12 when he offered the post of Foreign Minister to M. Herriot, leader of the Radical-Socialists, besides portfolios to other members of the party. This move was quite in keeping with the natural tendencies of the Premier, who has always been bent on realizing a form of Republican cooperation with the Left groups from which he sprang. In view of the gravity of the foreign situation he especially wished to have a non-partisan Cabinet. The Radical-Socialist group to which M. Herriot referred the offer declared that it could not be accepted, adding once more that the party was unwilling to collaborate with the parties of the Right which had supported the Laval Ministry during the past year. It was only after receiving this reply that M. Laval decided to hand in the resignation of his Cabinet. Immediately after, President Doumer asked him to reorganize it along the same lines as before.

The reason that the Radical-Socialists refused this offer, courteously made and courteously declined, is clear enough; it was stated in the motion voted by the executive committee of the party on Jan. 20 and in the speeches of their spokesmen in the Chamber. The Radical-Socialists do not want to weaken a good strategic position for the coming elections. As it now is, the present government will have to bear the sole burden of its policies, which, in the words of Deputy Nogaro, have resulted in "the agricultural, financial

and economic crisis, unemployment, the budget deficit, an empty treasury, and the squandering of resources saved for national equipment in loans to banks or nations in trouble." The Radical-Socialists feel that it will be easier for them to arraign those policies before the electorate than to share the responsibility for them with the parties with whom, moreover, since the convention of Angers in 1928, they have vowed not to coöperate.

BRUENING'S STAND MEETS DISFAVOR

Party strife did not extend to the other grave problems that arose during January. Chancellor Bruening's declaration that Germany "could no longer continue to make reparation payments of a political character" had an automatic and almost unanimously hostile reaction in France. P. E. Flandin, Minister of Finance, immediately called attention to what he called the unacceptable "unilateral denunciation of conventions freely signed." The whole press, with very few exceptions, voiced either indignation or disapproval of the method and the tone adopted in Germany. The Radical paper, *Le Quotidien,* under the signature of Jean Hennessy, ex-Minister of Agriculture, expressed itself with a virulence equalled only by the most nationalistic writers. Even Fernand Bouisson, the Speaker of the House, and a Socialist, felt called upon, in the speech of thanks that always follows re-election to the chair, to state that France "could not abandon any part of her claims without the guarantee of an equal reduction of her debts."

It was in the three-day debate on the Ministerial declaration of the new Cabinet that the whole subject was thrashed out. Two of the men who have been most closely identified with the policy of liberal treatment of Germany were outspoken in their condemnation of the Bruening statement. Léon Blum, the Socialist leader, in a speech that in certain parts roused the ire of the Right, was in harmony with the general sentiment when he brought out very forcibly the "legitimate" character of reparations, which are not, he insisted, a "tribute" levied as a result of victory, but an "equitable obligation of natural law." M. Herriot, who delivered a speech which M. Laval afterwards called "magnificent" and which the Chamber applauded almost unanimously, stressed the "sacred character" of contracts. He pointed out that the eventuality of a willful default had been foreseen at The Hague, that recourse to the Permanent Court of International Justice had for that reason been provided and that the German signatories had expressed their chagrin at the very thought that such a possibility might be considered. He called attention, also, using German statistics, to the insignificant part that reparations actually represent in the general German economy, and protested against the "abominable campaign" which has led millions of unfortunate citizens of Germany to think that "the wicked Frenchmen are responsible for their misery." Other speakers participated in the debate, among them the very brilliant but somewhat visionary M. Forgeot, who still pinned his hope of an equitable settlement on the United States and its willingness to reduce war debts.

When M. Laval rose to reply to the interpellations addressed to his new Cabinet and its policies, contrary to his custom and to the usual procedure, he read his speech, thus showing the importance he attached to the statements he was to make. He touched on only three subjects. After referring to M. Briand, as mentioned above, he gave a dispassionate review of the events that preceded and followed the publication of the Bruening communication. He repeated what the Ministerial declaration had already said about the impossibility of France's abandoning rights given her by the treaties, rights "which represent only

part of the damages which she has suffered." He contended that the report of the Basle experts, which stressed the temporary character of German embarrassments, did not justify the permanent cancellation of reparations. All that could be discussed now was the question of the moratorium.

As for the disarmament question, the other problem of the hour, M. Laval declared that the memorandum of last July would be the basis for the French case. He reiterated that the purpose of France was to support any proposition tending to substitute mutual aid for isolation. He gave no hint at that time, however, of the bold proposition which the head of the French delegation, André Tardieu, presented to the Assembly at Geneva two weeks later (see page 828 of this magazine). When the vote of confidence was taken after the Premier's defense of his policies, the Radical-Socialists, though they had supported the government's thesis on reparation, went over to the opposition. M. Laval won by 312 to 261, a majority of 51.

ECONOMIC TREND CONTINUES DOWNWARD

Whatever may be thought of Deputy Nogaro's contention that "all that is left of yesterday's much vaunted prosperity is the foreign belief that France is the only solvent country in a bankrupt Europe," all signs point to a continued downward trend. The trade balance for 1931 showed a deficit of $471,000,000. Tax collections for the nine months since April, 1931, were about $47,000,000 less than for the corresponding period in 1930. According to Deputy La Moureux, the budget of 1932 will have a deficit of $160,000,000.

French protectionist policy goes on apace, however, and during January it was directed against the United States when the quota of imported radios was reduced by three-quarters. On protest from the American Chamber of Commerce of Paris, which hinted at discrimination in favor of Holland and Germany, Minister of Commerce Rollin explained that the decree covered a period of only three months and that American interests would be safeguarded during the subsequent period.

BELGIAN LANGUAGE QUESTION

The language question came up again before the Belgian Chamber on Jan. 20. The new bill, which supersedes the present one presented nine months ago by the Jaspar Cabinet, is based on the principle of territoriality of languages, except for the region of greater Brussels, which is dealt with in a special statute. All the speakers but one approved the new bill—Jules Destrée for the Socialists, M. Deschryver for the Right and M. Jennissen for the Liberal Walloons. M. Carpentier, Liberal representative of Liége, on the other hand, condemned it as making possible increased Flemish influence in Brussels and as widening the gap already existing between the two racial groups of the country.

BELGIAN ATTACKS ON THE UNITED STATES

During the first weeks of January some Belgian papers, including the respected Liberal journal *Indépendence Belge*, attacked the United States because of the attitude of Congress on the question of interallied debts and reparations. Since these attacks soon assumed the character of a veritable campaign of vilification which did not spare even the President, Hugh S. Gibson, American Ambassador, was instructed to file a protest with the Minister of Foreign Affairs, Paul Hymans. The latter thereupon apologized saying that the press did not represent the official Belgian attitude. Several newspapers later protested against what the Socialist paper *Le Peuple* called "the astonishing step" of the American representative while others carried indignant comment on what they regarded as American interference with the Belgian press.

German Presidential Issues

By Sidney B. Fay

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EARLY in January Chancellor Bruening suggested informally to all the German party leaders that they agree to have the Reichstag extend the Presidency of General von Hindenburg beyond the seven-year term which expires this Spring. Many of the leaders favored this proposal for sparing the country the cost and excitement of a Presidential election in a time of political and economic distress. It would keep in power a little longer the aged man who has used his prestige and influence so wisely to preserve the republic and to help Germany out of her financial difficulties.

Adolf Hitler, however, after delaying his answer for more than a week, issued on Jan. 17 a long and somewhat irrelevant open letter to the Chancellor, rejecting the proposal. The National Socialist dictator declared that his reasons were both political and constitutional. "The Weimar Constitution," he said, "is the legal basis of the republic. Article I states that Germany is a republic deriving all power from the people. Article XLI states that the President shall be chosen by the entire electorate. To substitute the Reichstag's verdict for the people's voice would be a manifest contradiction of the Constitution." As Hitler has often attacked the Weimar Constitution and its framers, it now seemed a little paradoxical for him, as was pointed out with some hilarity by his political opponents, to come forward as its ardent champion. Hitler continued his statement with a long, rambling attack on the Bruening Government, and attempted to saddle the moderate parties, rather than the treaty of Versailles, with responsibility for all the difficulties from which Germany has suffered for thirteen years.

Replying to Hitler on Jan. 23 Bruening incisively repudiated his political arguments as irrelevant and prompted by partisan instead of patriotic considerations. Bruening declared: "Whereas my suggestion in the matter of the Presidency was dictated exclusively by a non-partisan standpoint concerned only with the whole nation, you oppose to it, exclusively from your partisan National Socialist viewpoint, a dissertation on post-war developments, indulging in generalities and even ignoring the most important events of the period. You refer the cause of Germany's distress to domestic political conditions, but it is almost universally accepted that a fact in foreign relations—the treaty of Versailles, with its political, economic and financial injustice and lack of reason—has been the cause of Germany's troubles, and also, to a great extent, the troubles of the world. I can only deplore the fact that in this critical juncture you do not yourself draw the self-evident inferences." As the Hitler and Communist opposition in the Reichstag would have defeated the two-thirds vote necessary to extend Hindenburg's term, other methods had to be considered.

One of these methods was a monster petition to the President that he should use the emergency Article XLVIII of the Constitution to decree a prolongation of his own term. This Hindenburg refused to do, and on

ḃ. 15 he made the following an-
ụncement: "I have decided to place
ỳself at the people's disposal for
election. The circumstance that the
peal did not come to me from a
rty but from the broad masses of
e people, makes me regard it as a
ty to declare myself in readiness."
ie only other candidate so far is the
ommunist, Ernst Thaelmann. The
election has been set for March 13.

BRUENING AT GENEVA

The German Chancellor's speech at the Geneva disarmament conference on Feb. 9 pleased every shade of German political opinion at home by its unequivocal enunciation of equality of rights and security as fundamental to Germany's position toward disarmament. The Democratic *Berliner Tageblatt* applauded the Chancellor's moderation of statement throughout and his unprovocative, dignified reference to the necessity of liquidating the economic aftermath of the war, as well as reducing armaments. The *Deutsche Allgemeine Zeitung* said: "His address was so dextrously composed that its author can claim that every problem is in germ included in it. But one may ask: Why allusions instead of a full text? Why such emphasis and real energy in enunciating principles and so much caution in their application and practical demands?"

In Republican circles close to the government the impression prevailed that Dr. Bruening's marked restraint and graciousness in referring to what are the sorest points in Germany's international relations not only reflected his temperament but that it was in line with a carefully thought-out tactical procedure to open the way for a conference on reparations without arousing antagonism.

GERMAN ECONOMIC CONDITIONS

Unemployment in Germany has continued to rise rapidly this Winter, until on Jan. 31 it reached the unprecedented figure of 6,641,000.

Germany's industrial output during 1931 declined in value to 75 per cent of the total for 1930 and to 42 per cent of that of 1928. The gross value of her industrial output is officially estimated for these three years, respectively, at $12,000,000,000, $16,000,000,000 and $21,000,000,000. Measured by quantity, industrial goods produced during 1931 were 37 per cent below 1928. Since that year the heaviest decline has been in manufactured consumption goods, especially textiles, shoes and paper.

During 1931, however, Germany enjoyed, for various exceptional and temporary reasons, a larger favorable balance of trade than in any year since the war, greater, in fact, than for many years before the war. It amounted to $707,000,000. Under normal conditions this would have been almost enough to pay both the reparation annuity and the interest on the private debt. But although the surplus of exports over imports was thus unprecedentedly large in 1931, it will be seen from the following figures that the total exports and imports in 1931 were both far below those of the preceding years (figures in millions of marks):

	Exports	Imports	Balance
1913	10,097	10,770	− 673
1927	10,219	14,143	−3,924
1928	12,421	13,650	−1,229
1929	12,482	13,435	+ 47
1930	12,030	10,200	+1,830
1931	9,597	6,631	+2,967

The export surplus of 1931 is admittedly due in part to the prevailing low world prices of imported commodities and in part to the automatic effect of short-term debt repayments in checking imports and fostering exports. An increase of 77 per cent in sales to Russia and the hastening of exports to Great Britain and other countries before their new tariffs became effective go toward explaining the favorable balance. Other complex factors, all more or less temporary and exceptional, must be included, so that Germany cannot be expected to enjoy a similar favorable balance of trade in the years immediately ahead. Hence,

she will not be able to pay both reparations and the interest on the private debt. Depreciation in foreign currencies, especially in Great Britain and the Scandinavian countries, as well as the new foreign tariffs, will tend to reduce German exports in the future.

Receipts from taxation by the Reich in the first nine months of the financial year were $1,184,250,000. Since the estimate for the whole year was $2,028,000,000, there is a proportional deficit to date of $86,500,000. This, however, may be made good in the fourth quarter, which normally witnesses the largest receipts. Although this reflects a fairly balanced budget for the fiscal year, it does not take account of the deficits carried over from the preceding years; these would bring the total existing deficit to over $250,000,000.

The index of wholesale German prices on Jan. 27, based on 100 as the average of 1913, was 99.7 per cent. This compared with 102.9 one month previously and with 105.7 two months previously. The cost of living index during January was 124.5, as against 130.4 in December. The drop of about 6 per cent was mainly the result of Bruening's drastic price-cutting decree of Dec. 8, 1931. (See January CURRENT HISTORY, page 606.) Dr. Karl Goerdeler, the Price Commissioner, declared that this decline was as much as he had expected would be possible during the first month, but that he is not yet satisfied. He hopes to improve still further the relation between purchasing power and prices.

The foreign exchange value of the mark has risen slightly during recent months, being close to par, 23.8 cents. But the Reichsbank has continued to lose gold steadily, so that its total gold holdings on Feb. 9 had declined to $232,000,000, as compared with $578,000,000 on June 2, 1931, the highest figure for that year, and with $657,250,000 on Jan. 7, 1929, the highest since the war. This drain of gold has reduced the coverage for outstanding paper money to 25 per cent, which is almost the lowest ratio in its history. The minimum legal ratio, until reduced by Bruening's emergency decree in the Summer of 1931, was 40 per cent. But there is no serious fear that Germany is likely to follow the example of Great Britain and go off the gold standard.

The most cheerful item in Germany's economic condition has been the growth of her mercantile marine. In spite of its reduction to about 700,000 gross tons by the treaty of Versailles and the forced surrender of all her transatlantic liners, Germany has brought about an amazing recovery. Today her tonnage totals 4,254,000 tons. This includes such ships as the Bremen and the Europa, which are among the fastest and most profitable liners afloat.

NEW AUSTRIAN CABINET

The Austrian Cabinet resigned on Jan. 27 because of friction with Dr. Schober, the Vice Chancellor and Foreign Minister. Chancellor Buresch, who was requested by President Miklas to form a new government, announced his Cabinet a couple of days later. The new Cabinet is a minority group, formed entirely from the Clerical party.

Austria's economic condition is even worse than that of Germany. Unemployment, stagnation in trade and industry, tariff walls and financial difficulties all contribute to the distress. The gold and foreign exchange coverage of the Austrian paper circulation fell on Feb. 4 below the legal minimum of 24, to 23.1 per cent. Simultaneously with this admission came the anouncement, long forecast, of the resignation of Dr. Reisch from the presidency of the Austrian National Bank. In his place was appointed Victor Kienboeck, former Finance Minister, and the right-hand man of Mgr. Seipel.

Spain's Expulsion of the Jesuits

By WILLIAM E. LINGELBACH
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PERHAPS the most striking event in Spain during January was the dissolution by the State of the Society of Jesus and the seizure of its property. The decree dissolving the order was signed on Jan. 23 by President Zamora and published the following day in the official gazette. This decree brings to an end the legal existence of "the Company of Jesus, born in the little town of Manresa, where Ignatius Loyola wrote his spiritual exercises" 400 years ago. "The Company of Jesus," says the decree, "is hereby dissolved throughout Spanish territory. * * * The State henceforth does not recognize any religious or legal rights for it as an order." Jesuits are forbidden to form congregations or "to live in brotherhoods, either in public or private manner."

All property of the order becomes the possession of the Spanish State, which shall use it for charitable or educational purposes. The property seized is estimated at $30,000,000, and a special committee, composed of one representative from each Ministry, is made responsible for its confiscation and administration. The remainder of the wealth of the order, amounting, it is thought, to $70,000,000, is in the name of private individuals and therefore cannot be confiscated. In response to the decree, hundreds of Jesuits left Spain for Belgium, Italy, South America and the United States.

Apart from this move against the Church, the religious situation seems to have quieted down, even the Bishops formally announcing their acceptance of the republic. Ever since the establishment of the republic, Mgr. Tedeschini, the Papal Nuncio, who has been the official head of the Spanish Church since the resignation of Cardinal Pedro Segura y Saenz, the Primate, has been urging the clergy to accept the republic and the new civil authority, and then to offer a stout resistance through constitutional means to enactments hostile to the Church. In both respects he has finally been successful, and on Jan. 7 he issued a formal statement declaring that "the entire Spanish episcopacy to a man has accepted the Vatican policy with regard to the Church in Spain." Recognition of the existing government does not, therefore, mean the acceptance of its policies, and everywhere the Church is organizing to fight the establishment of lay education, the new divorce laws, the limitations upon the religious orders and the dissolution of the Jesuits.

In the meantime there continued to be sporadic encounters between Socialists and Communists on the one hand and Catholic Nationalists, notably in the Basque region, on the other. For instance, four Socialist Republicans were killed on Jan. 17 in a fight between the two groups at Bilbao. The next day the Socialists, aided by the Communists, proclaimed a "united workers' front" and inaugurated a protest strike, which completely stopped all work in Spain's third largest city. At the same time they attacked the headquarters of Accion Nacional and tried to set churches and monasteries on fire.

These disorders were, however, only preliminary to a general strike by the Communists in an effort to seize

power. Many Red agitators had arrived from France and elsewhere early in the month. Syndicalist propaganda was spread throughout all parts of the country, especially in Catalonia. Addressing the Cortes on Jan. 25, the Minister of the Interior, Quiroga, said: "I have been in touch with foreign authorities who gave me as early as Jan. 9 complete details about the nation-wide movement planned for Jan. 25." On Jan. 21 the red flag was raised in scores of towns in the Cardenas and Llobregat valleys of Catalonia, telephone and telegraph wires were cut and many communities isolated, among them Manresa, the birthplace of the Society of Jesus. But the government had taken ample precautions. With remarkable swiftness regular troops, cooperating with the civil guard, crushed the uprisings which the Syndicalists hoped would gradually envelop not only Catalonia but all Spain. In Barcelona the Sindicato Unico had actually made all arrangements to take over the industries. The same fate met the attempted uprising in the agricultural areas of Andalusia, where propaganda had been widely disseminated. Over 300 leaders were arrested there and, together with prisoners from Catalonia and Madrid, sent to the Fuente Ventura prison.

Preoccupied with the activities of the Reds and the dissolution of the Jesuit order, the government wisely decided to avoid stirring up opposition in another quarter by postponing action on the proposed land reforms advocated by the Socialists. Nevertheless, on Jan. 28 it issued a decree to compel landowners to hire laborers on "undermanned" properties under penalty of losing their land. The effect of the tariff legislation of the past month is still in doubt. In the meantime the peseta dropped to a new low of 12.78 to the dollar.

Many friends of Ambassador Salvador de Madariaga have expressed their regret at his withdrawal from the embassy at Washington. He is going as Ambassador to Paris, and Juan Cardenas, at present in Tokyo, is to be his successor in this country.

UNEMPLOYMENT IN ITALY

The Fascist fight against unemployment has attracted much attention. The numbers of unemployed continued to increase steadily during December and January, reaching over 1,000,000, the highest in Italian history. Of the 980,000 jobless at the first of the year, 750,000 were men and 223,000 women, the greatest number being in the building trades and in agriculture. Of the total only about 250,000 are entitled to the somewhat limited unemployment insurance benefits under the Italian law, the government adhering strictly to what is sometimes called a no-dole policy. Hence 750,000 have to be cared for through private charity, national or local, and by employment on public works.

Fortunately, the Fascist party, with its highly centralized direction, is admirably adapted to the needs of relief work. Mussolini himself has injected the enthusiasm of his own dynamic personality into the cause, announcing to the new directorate of the Fascist party that "the entire Fascist organization should be mobilized for the relief of unemployment, which is the major task to which the party must apply all its energies during the Winter." In addition, a widespread propaganda for charitable effort has been developed, while pressure is also being brought to bear upon municipal and provincial authorities to undertake public construction work wherever possible, though many of them have already exhausted their credit. Communal kitchens have been set up in many places and a practical turn given to the work in some quarters by the sale of meal coupons to persons of modest means, who can distribute them to the needy as occasion arises. In view of the cheapness of agricultural products, excellent meals are supplied in

this fashion at a cost of from 3 to 5 cents.

Closely associated with the unemployment problem is the Italian economic situation as a whole, and in this respect Italy, like the rest of the world, shows no signs of improvement. The curve of prices is still downward, though not as markedly so as heretofore. The industrial output for 1931 fell materially below that of 1930, in some cases as much as 50 per cent. On the other hand, the government's effort to increase the consumption of Italian products and to stimulate export trade has been quite successful.

For the third month in succession the foreign balance has been favorable. In December imports decreased over 40 per cent, while the exports recorded a loss of less than 6 per cent. Taking the trade of 1930 as a whole, imports decreased 40 per cent as against a 17 per cent decline in exports. The showing for 1931 is even more remarkable, the import surplus being reduced 70 per cent from an adverse balance of 5,209,000,000 lire [about $270,000,000] in 1930 to one of 1,584,000,000 [about $83,000,000]. On the basis of the physical volume of the foreign trade it is estimated that the exports increased, despite the higher tariffs abroad, and on the basis of wholesale prices Italian exports are also holding their own.

The part taken by the authorities in bringing this about is considerable. The cooperatives can arrange wage and salary adjustments quickly. Mergers and agreements in response to national needs are put into effect by decree. On Jan. 16, for example, the government, unable to bring about a renewal of the voluntary consortium on production and prices which had come to an end on Dec. 31, decreed a compulsory consortium of all steel producers of the country. Production and sales are arranged by the members. When they cannot agree the Fascist Confederation of Industry makes the decision, from which there is no appeal.

The month also witnessed the development of the merger of Italy's two most powerful shipping organizations into the Italia Company, which the Lloyd Sabaudo Line is expected to join in the near future. The first ship of the combine, the Augusto, sailed for the West Indies on Jan. 12 flying the new flag, which appropriately combines the emblems of Genoa and Trieste—a red cross of St. George on a white field, and the white lily of Trieste on a red field.

The national budget for 1932-33, which goes into effect at the beginning of the fiscal year, July 1, has been fixed at $1,055,000,000, but since the estimated revenues are only $979,000,000, the government reserves the right to revise expenditures in the light of the $76,000,000 deficit. That drastic economies are already reflected in the proposed budget is seen in the fact that the expenditure of the Ministry of War shows a total reduction of $3,500,000 as compared with that of the previous year.

The conclusion of the war in Tripoli, begun in 1911, has made possible much of this considerable reduction. On Jan. 26 Marshal Badoglio, the military governor of Libya, reported officially that the provinces of Tripoli and Cyrenaica have now been entirely pacified, and asked for "a more vigorous policy toward civil progress in the two colonies."

ITALY AND THE VATICAN

Relations between Italy and the Vatican have been most cordial, as is evidenced by the bestowal of the Supreme Order of Christ, the highest decoration the Holy See has to give, on King Victor Emmanuel and on Crown Prince Humbert, and of the Order of the Golden Spur upon Mussolini. The Papal Nuncio also called on Signor Dino Grandi, the Foreign Minister, and presented him with the Grand Cross of the Order of Pius IX. Mussolini himself made his first visit to the Pope on Feb. 11, a ceremony reported to mark the final sealing of

amicable relations between the Church and the State. Shortly before, the Pope, through new instructions to the Bishops, had limited still further the scope of the Catholic Action Society in Italy.

Of general world interest is the decree of the Congregation of the Holy Office on Feb. 5, forbidding mixed marriages unless the children are to be reared in the Catholic faith.

During the month new cracks appeared in the walls of the Vatican library. The report of the engineers revealed that structural defects had been known to exist for a long time. The most recent official statement, that by Frederico Mannucci, for many years the chief of the technical and engineering staff of the Vatican, lays the blame on a slow earth slide in the Vatican City. The Papal Palace, in which the Vatican library is placed, was built 400 years ago and houses valuable books, jewels and tapestries. It is almost 1,000 feet long and covers thirteen acres. The Pope lives in an adjoining building, built on solid rock—one which is not affected by earth movements.

Considerable excitement was caused on Feb. 13 when a bomb was found near the central altar of St. Peter's Cathedral in a supposed plot against Pope Pius XI or Premier Mussolini who appeared there only a few days before. On Feb. 15 it was reported that a cablegram from across the Atlantic—whether from North America or South America, it was not disclosed—had directed the Vatican authorities to the exact spot. The bomb was removed and safely exploded with a terrific blast. This was the second bombing attempt within a year, an explosive package having been found in St. Peter's last Summer and discharged in the grounds without injury.

ANGLO-PORTUGUESE ENTENTE

The close relationship between Portugal and Great Britain is well known. For centuries they have been close allies. Additional proof of this appeared during the recent visit of the British fleet to Lisbon and in the decline of the escudo in direct ratio to the fall in sterling. The escudo having been stabilized upon the British pound, Portuguese currency suffered a direct loss of about one-third after Great Britain went off the gold standard. This contributed considerably to the discontent which manifested itself during January in several minor uprisings and plots against the Carmona Government. On Jan. 5 200 persons were arrested in connection with the seizure of bombs, rifles and dynamite at Oporto. Ten days later a plot to assassinate President Carmona and Finance Minister Oliveira was discovered. As the time for the uprising planned by the Reds in Spain approached, many signs of Communist activity appeared in Portugal, but the government was well prepared, and the movement was easily suppressed before it got under way. Whether the British fleet was sent to Lisbon to offset the influence of the extremists in Portugal and in Spain is a matter of conjecture. The foreign press devoted a good deal of attention to British concern over Portugal's extensive colonial possessions.

It is reported from Goa, in Portuguese India, that 2,000,000 pilgrims kissed the feet of St. Francis Xavier, who died in 1552. His embalmed body, which had been exposed for forty days, was replaced in the silver coffin to await the passage of another decade before being again displayed.

Peace Policy of the Little Entente

By FREDERIC A. OGG

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THE visit of Prince Ghika, the Rumanian Foreign Minister, to Prague on Jan. 19-21 received a good deal of attention from the Czechoslovak press. In the light of his visits to Belgrade last October and to Warsaw early in the present year, his sojourn at Prague as guest of President Masaryk was accepted not only as indicating anew the stability and vitality of the Little Entente, but also as evidence of a tendency to wholesome cooperation between the Entente States and Poland. In Prague, as in Belgrade and Warsaw, Prince Ghika strongly reaffirmed Rumania's belief in the utility of the Entente and in the importance of the rôle played by the three cooperating States in international affairs.

"The Prague meeting," commented the *Central European Observer*, "signifies that the foreign policy of the Little Entente is built upon premises of the safeguarding of peace and the peace treaties, that it has no aggressive aim and that on the eve of the Disarmament Conference, which is to strengthen peace, the member States of the Little Entente are determined to embark on this fateful stage hand in hand in the knowledge that peace depends on the inviolability of the present-day frontiers and upon the peace treaties." Further evidence of Little Entente solidarity was seen in the meeting of their foreign ministers at Montreux, on Jan. 22, to determine the position that they should take at the Disarmament Conference.

CZECHOSLOVAK CONDITIONS

For various reasons, Czechoslovakia remained almost untouched by the world economic crisis until 1931. There was a slight downward tendency in 1930, but the decline was not such as to cause great concern. In the past twelve months, however, exports and imports have dropped sharply, and the unemployment figures have trebled. Furthermore, as a result of the effect on the country's trade of the financial restrictions of Czechoslovakia's neighbors, the Ministry of Finance has had to restrict allotment of foreign exchange for import payments. All applications for foreign exchange must be for vital necessities, such as foodstuffs, and are subject to rigorous examination by a commission of experts, who forward their recommendations to the National Bank.

As recounted in its leading press organ, *Rudé Právo* (Red Rights), the Czechoslovak Communist party directed during 1931 a total of 200 strikes, affecting some 35,000 workers. In cases where the initiative was not taken by the party, encouragement and assistance were extended.

POLISH DIPLOMACY

During the months preceding the Disarmament Conference, Polish diplomacy made common cause with France in behalf of security before disarmament and in opposition to revision of the peace treaties. Security has always been the crucial problem of Warsaw's foreign policy, and practically all branches of the country's press have been insistent that security and disarmament be considered at Geneva as two inseparable aspects of a single question. Poland has been the strongest supporter of the Geneva protocol and its basic principle of sanctions.

The signing of the non-aggression

pact between Poland and Russia on Jan. 26 (see Professor Furniss's article, page 877 of this issue) aroused considerable opposition both in Poland and in France. In Paris, newspapers like the *Journal des Débats* maintained that a treaty signed with the Soviet Union is meaningless because Moscow will never respect it. The initialing of the treaty by Poland was preceded by a visit of the Rumanian Foreign Minister to Warsaw, on Jan. 8-9, for a discussion of the bearing which the contemplated agreement would have upon Russo - Rumanian relations. Poland and Rumania are bound together by a military convention, a mutual guarantee pact, an arbitration treaty and many other conventions. As a result, in the early discussion of a Russo-Polish pact, the tension between Russia and Rumania offered many difficulties.

BREST-LITOVSK TRIAL

Ten of the eleven defendants in the Brest-Litovsk trial were on Jan. 13 found guilty of plotting to overthrow the Polish Government and were sentenced to terms of from one to three years at hard labor. Vincent Witos, leader of the Peasant party and three times Prime Minister, was sentenced to one and one-half years' imprisonment, a minimum sentence earned by his distinguished services to his country in the past, notably during the war with the Bolsheviki in 1920. Demonstrations in Brest-Litovsk and Warsaw in behalf of the condemned persons after announcement of the verdict resulted in sharp clashes between their sympathizers and the police. Opposition deputies among the convicted were loudly cheered when they appeared at a plenary meeting of Parliament on Jan. 15, and it was necessary to suspend the sitting in order to end the demonstration.

In a parliamentary committee which is discussing constitutional reform Deputy Matakiewcz has demanded that a monarchy be established, and Prince Radziwill, who is known likewise to favor a monarchy, has proposed that the President of the Polish Republic be elected for life.

FOREIGN RELATIONS OF HUNGARY

Count Stephen Bethlen, former Hungarian Premier, visited Premier Mussolini in Rome in the middle of January, thereby causing considerable political speculation. At the time the visit was described as purely personal and private, and the communiqué telling of the Count's interviews with the Italian Premier were colorless. It was understood, however, that, by direction of the Budapest Government, the former Premier inquired into the Italian attitude toward the Confederation of Danubian States proposed by Czechoslovakia as a solution of Central European economic problems, and also toward the recent Franco-Hungarian rapprochement—to both of which, it was gathered, the Italian Government offers no objection. The surmise that closer Italo-Hungarian trade relations were also discussed was confirmed by an announcement on Jan. 14 that Baron Sztereny, former Hungarian Minister of Commerce, was about to visit Rome.

Although out of office, Count Bethlen is credited with being still the strongest factor in determining Hungarian foreign policy, which he guided for ten years. Under him, that policy always has been oriented toward Italy. That he intends it to remain so is indicated by the cold water which he poured on the last endorsement of the Danubian cooperation by Dr. Benes, the Czechoslovak Foreign Minister. Count Bethlen has steadfastly opposed any plan for Danubian cooperation that does not include Italy.

HUNGARIAN FINANCES

It was announced on Jan. 17 that a committee of New York bankers, in charge of working out a "standstill" agreement between American creditor banks and Hungarian debtor banks,

had abandoned further efforts because the Hungarian banks had notified them that they would not have sufficient exchange to pay the interest and commissions on the short term debts due to American bankers. When, toward the close of 1931, Hungary declared a moratorium on most of its foreign debts, the short term loans of foreign bankers were excepted, on the assumption that a six months' "standstill" agreement concerning them would be reached. The amount of American short term credits to Hungary is estimated at $35,000,000. As a result of the failure of the "standstill" agreement, it is understood that the American banks have decided to refuse to honor checks drawn upon them by the Hungarian bankers.

Returning to Budapest from Geneva on Jan. 19, Finance Minister Koranyi reported that a proposed financial committee of the League of Nations to aid Hungary's foreign creditors would form a national financial committee which would send delegates to an international committee to be formed under the guidance of neutral experts. This international committee would be expected to negotiate with Hungary a general settlement of her foreign debts, amounting, in all, to $715,000,000.

NEW YUGOSLAV CABINET

Recurring riots in Yugoslavia by students at Zagreb and other university centres, and also by Bosnian and Dalmatian peasants, are interpreted as only the latest eruptions of the smoldering dissatisfaction with the dictatorship—whether undisguised or dressed up in its present pseudo-parliamentary forms—under which the nation has been living for the past three years. That there is a growing disposition to appease public dissatisfaction by cautious steps in the direction of democracy was apparent in the reconstruction of the Zinkovich Cabinet in early January. In the decree announcing the personnel of the new government it was emphasized that, with the exception of the Ministers of War and Finance—selected as experts—all the newly-appointed Ministers were parliamentary deputies. Outsiders observed that all seemed to have been chosen as representatives of the different groups—once comprising separate parties—now included in the Radical Farmers Democratic party, which under the election laws is the only party allowed to exist in the present Parliament. The reconstituted government thus seemed to signify, despite the arbitrary one-sidedness of the general elections behind it, a definite tendency in the direction of free political institutions. In some quarters it was predicted that new general elections in which the Opposition groups would be allowed to participate would take place within a year or two.

RUMANIA'S ECONOMIC PLIGHT

The fall of the Jorga Government in Rumania was forecast on Feb. 10 when Nicolas Titulescu, Rumanian Minister to London, was recalled to Bucharest by King Carol. The situation of the government has been impossible since the recent refusal of the Liberals to support Professor Jorga and his Cabinet. Under the semi-dictatorial Jorga régime the economic condition of the country has grown steadily worse, and it is assumed that M. Titulescu would have little difficulty in forming a national concentration government.

Prince Nicholas arrived incognito in Paris on Jan. 17 to begin the same sort of exile once experienced by his brother, King Carol. He was accompanied by his wife, the former Mme. Jana Lucia Deletz.

BULGARIA'S FINANCIAL STRAIN

The end of Bulgaria's payment of reparations was announced on Feb. 8 by Minister of Agriculture Gutchev when he declared that the country would no longer pay reparations "under any consideration, for any reason

or in any form." It is understood that Premier Muschanov has told the finance committee of the League of Nations that Bulgaria will have to seek a moratorium unless foreign aid is received immediately.

A month earlier, on Jan. 8, Premier Muschanov told newspaper correspondents that in default of foreign financial assistance Bulgaria would be compelled to join the ranks of European States which have served notice of their inability to meet their obligations abroad. Four days later a Sofia dispatch reported that as the reserve of the National Bank for coverage of notes had declined to 34 per cent, a Cabinet council had decided to demand a moratorium for all foreign debts of the country. In a communiqué on Jan. 14 the Premier denied that "anything concrete" had been decided upon, but reiterated that the country's financial position was so grave and its lack of foreign exchange so serious that only prompt and generous help from the League of Nations could avert default, whether or not accompanied by formal declaration of a moratorium. Bulgaria's total debt to the United States is estimated at $27,000,000.

On the ground that the present voluntary system is too expensive, Premier Muschanov announced on Jan. 17 that at the Disarmament Conference Bulgaria would seek to revert to compulsory military service.

DEATH OF QUEEN SOPHIE

Former Queen Sophie of Greece, youngest sister of the exiled Kaiser Wilhelm, died at Frankfort-on-Main on Jan. 13 after a long illness. Her husband, former King Constantine, died in exile at Palermo in 1923. The one-time Kaiser and his sister Margaret, who is married to the Landgrave of Hesse, are now the sole survivors of the family of Frederick III.

The Depression in Scandinavia

By JOHN H. WUORINEN

Department of History, Columbia University; Current History Associate

THE Swedish Riksdag, which was opened on Jan. 12 with the traditional colorful ceremonies, began immediately to wrestle with the problem of the budget. Felix Hamrin, Minister of Finance, on submitting his budget which embodied appropriations of $205,650,000—$13,000,000 less than last year—maintained that in spite of decreased revenues and increased outlays for unemployment relief, the budget would be balanced. He proposed higher taxes upon liquor, tobacco and automobiles and an emergency tax upon incomes. Economies were planned by reducing the appropriations for defense and farm relief.

During the Riksdag budget debate, which began on Jan. 18, it was evident that the various political parties were satisfied, on the whole, with the government's proposals. Mr. Lindman, the Conservative leader, objected to the contemplated increases in taxes on income, and recommended measures designed to reduce imports in order to strengthen Sweden's trade balance. Premier Ekman, in reply, pointed out that, apart from other things, the existing commercial treaty with Germany, which does not expire till 1933, makes it impossible to adopt general tariff restrictions. Furthermore, such measures would undoubtedly stimulate retaliation by other countries. The Premier was supported on this point by the Socialist members.

The government made known on

Jan. 27 that a council of seventeen experts would be appointed to assist the Cabinet in safeguarding Sweden's commercial interests. The instructions of the council were couched in general terms, but it was clearly indicated that its function would be to strengthen the hand of the government in its efforts to deal with present economic difficulties. Two days later the government announced that certain increases in import duties would become effective on Feb. 1. Duties on foreign automobiles and parts were doubled—a measure of significance for American manufacturers who have furnished, in the past, most of the automobiles used in Sweden.

The requests for unemployment and agricultural aid, presented in the Riksdag, indicated the widespread need for relief. The Socialists have demanded appropriations of $25,000,000, three-fourths of which would be used for unemployment assistance, while the Agrarians have sought $17,000,000 for a farmers' loan fund and the Communists have insisted that about the same amount be allocated for general relief measures.

SCANDINAVIAN COOPERATION

The Foreign Ministers of Denmark, Norway and Sweden met in Copenhagen on Jan. 6-7 to discuss ways and means for safeguarding the common interests of the three countries, especially in regard to the general economic and financial measures made necessary by the depression. Comments in the press indicated that the proposed cooperation would be placed upon a broader basis by the addition of Finland and possibly other countries.

AID TO DANISH FARMERS

Impelled by the continued difficulties of Danish farmers, especially during recent months, the government proposed in the Folketing on Jan. 7 a partial moratorium for agriculture. The bill aims to assist those farmers who own considerable property, but who have found themselves unable to meet amortization and interest charges and consequently are now facing bankruptcy. On the assumption that the present stringency is only temporary, and that in the circumstances financial relief is both necessary and proper, the government proposed the postponement of payments upon loans in cases which manifestly deserve aid. The law is to remain in force during the current year.

Another measure, designed to safeguard Danish credits, was unanimously passed on Jan. 29. All business in foreign credits is to be concentrated in the Bank of Issue, which will henceforth replace the thirteen institutions through which Danish needs for foreign credits have been met. The law also prohibits imports which have not been approved by the bank. The passage of this bill was a direct result of the German tariff increases on agricultural products that went into effect in January. Mr. Madesn-Mygdal, the leader of the Venstre, maintained that the purchase of German goods could be prevented by a strict control of the German credits needed for the purchase of such goods. The law, unless it is extended, will be effective only until April 1, 1932.

THE NORWEGIAN BUDGET

The speech from the throne at the opening of the Norwegian Storthing on Jan. 12 dealt almost exclusively with economic matters. The new budget balances at $91,000,000, $2,375,000 less than the present budget. However, the reduction in expenditures is about twice this amount, since provision is made for the $2,387,500 deficit in the 1930-31 budget. Following a secret session of the Storthing on Jan. 13, a decree was issued for temporary increases in the present tariff rates. The new duties, which went into effect on the same day, provided for 15 to 20 per cent increases on a large number of commodities. It was estimated that approximately

$2,250,000 would be obtained from these increases during the remaining six months of the present fiscal year.

FINNISH LIQUOR LAW

Acting upon the result of the national prohibition referendum held in December, 1931, the Finnish Parliament passed a new liquor law on Jan. 30. The law brought to an end thirteen years of prohibition. The bill was signed by President Svinhufvud on Feb. 9 and will become effective on April 5 of this year. The law provides for the sale of strong drink, but only under strict government control. Liquor traffic will be supervised by a board of eleven members, appointed by the government, and sales will be permitted only on weekdays; 35 per cent of the profits of the trade is to be spent for "temperance purposes." While the system of control resembles the Swedish Bratt system, there will be no limitation upon individual purchases.

The Russo-Finnish non-aggression treaty was signed in Helsinki on Jan. 21. The treaty was hailed with satisfaction by the press in Finland, although the conservative *Uusi Suomi* expressed surprise that the "pact does not contain provisions against seditious Red propaganda" in Finland.

THE MEMEL COUP D'ETAT

An international complication arose between Lithuania and Germany on Feb. 6 when Otto Boettscher, the President of the Diet of the autonomous Memel territory, was arrested by Lithuanian authorities. Before the war Memel belonged to Germany, but by the Treaty of Versailles it was ceded to the Allies. The city, which is at the mouth of the River Niemen, was important to Lithuania and Poland because the river drains and furnishes transit to a large portion of each country. Administered at first by French authorities, the territory fell to Lithuania in January, 1923, when the Lithuanians, apparently emulating the Zeligowski coup at Vilna, took over the city and established a provisional government. After an investigation under League auspices a convention was drawn up and adopted which established Lithuanian sovereignty, but provided considerable autonomy for the city in executive and legislative matters. The port was internationalized.

Upon the arrest of Mr. Boettscher the government of the territory was taken over by what newspaper dispatches called the "Council of Greater Lithuania." The arrest was a consequence of alleged treasonable activities on the part of the President of the Diet, but appears to mark the culmination of a prolonged contest between Lithuanians and the German elements, who comprise a substantial part of the population of the territory and are in a majority in the city of Memel. Both the German population in the territory and the government and press in Germany showed considerable uneasiness over the situation. In view of the violation of the Memel Convention of 1924, action on the part of the League of Nations was urged. On Feb. 8 the Memel Landbund, the organization of the German population in Memel, demanded in a letter to President von Hindenburg that a popular referendum be held to decide the future political status of the territory. On the same day a formal German protest was lodged in Kovno by the German Minister.

HARD TIMES IN ESTONIA

Since the Fall of 1931, when the Estonian Government announced that it would do everything in its power to maintain the gold standard, strenuous efforts have been made to adhere to this policy. Imports have been strictly limited by government action, salaries and wages have been reduced and general government expenditures curtailed. The results, however, have not been altogether satisfactory, and both foreign trade and internal business have reflected the world-wide depression.

Against this background one must project the economic and other internal difficulties which came to the fore during January. Mass meetings of unemployed were held in Narva, Parnu and Tartu on Jan. 10, at which demands for instant relief were presented. Recently the government has taken steps toward the reduction of the legal interest rate from 11 to 8 per cent and, according to reports on Jan. 16, stood ready to ease the farmers' situation by proposing that needy agrarians be granted a year's moratorium on their debts.

The position of the government weakened during January until on the 29th the Pats Cabinet resigned. Two important political developments preceded the resignation: the first was the establishment of a new agrarian party, composed of the two farmer groups that have hitherto represented agricultural interests; the second, was a similar coalition effected by a section of the Socialists and the People's party. These developments deprived the Pats Cabinet of the support necessary for its continued existence.

Russia's Changing Communists

By EDGAR S. FURNISS

Dean of the Graduate School, Yale University; Current History Associate

THE anniversary of Lenin's death, Jan. 22, was commemorated this year as usual with an impressive display of devotion to the departed leader, culminating in a solemn procession of pilgrims from all parts of the country before his tomb in the Red Square in Moscow. These ceremonials are of interest to the student of Soviet affairs as evidence of the fervor of spirit which dominates the Communist party, transforming an organization which boasts of its hard-headed realism into a religious movement possessed of all the emotional attributes which such movements acquire. But aside from this, Lenin's Day is a significant event in the Soviet calendar. It is a milestone in the progress of Communist policy which enables us to obtain a more vivid picture of the present state of affairs by throwing current conditions into relief against the background of recent history. This year in particular one cannot fail to be impressed by the remarkable change which has occurred both within the party and in the country at large during the eight years which have elapsed since Lenin's death.

The most striking feature of the Communist party in 1932 is the character of its leadership. Of the small group of old revolutionaries to whom Lenin bequeathed his dictatorship in 1924, only Kalinin, President of the Russian Republic, has survived the vicissitudes of party strife. The others, by Stalin's ruthless drive to power, have been forced into retirement or into the obscurity of petty office. Today the inner circle is composed in the main of newcomers—the personal followers of Stalin. Molotov, Premier of the Union; Voroshilov, Commissar of War; Kazanovich, Secretary of the Moscow Communist party; Kossior and Kyrov, Secretaries of the Ukraine and Leningrad districts, respectively; Andreyev, Commissar of Railways; and Rudzutak, President of the Central Control Committee—these men, with one or two others of lesser influence, control the party and the country under the leadership of Stalin, the Secretary General.

As personalities they differ from

the old guard who comprised Lenin's general staff; they are opportunistic rather than doctrinaire; executive in outlook and genius rather than conspiratory; sanguine rather than embittered. In their hands the Communist party has become a thing of different meaning from the point of view of its objectives and methods. The former goal of world revolution has been displaced by limited objectives of a practical nature, all concerned with the immediate economic development of the country. Oratory, battle cries and furtive conspiracy on the Communist frontiers in other countries have given place to hard work upon the business problems of their own land. The slogans issued by the Control Committee for Lenin's anniversary epitomize this change of outlook: "Fulfill the Five-Year Plan in four," "More coal, metal and machines," "Economic independence for the U. S. S. R.," "Labor productivity most important for the triumph of the new social system."

In another regard, also, the Communist party of 1932 is a different organization from that of 1924. It is no longer a minute fraction of the politically minded citizenry; its base has been broadened to include a much wider representation of the people. At the time of Lenin's death the party roll stood at 440,000. Today, according to the latest published figures, the adult party numbers 2,800,000, and the two youth parties almost 10,000,000 more. This is about 10 per cent of the eligible categories of the population—not a large fraction, to be sure, but a considerable advance over the ½ per cent of eight years ago.

Moreover, there has been a considerable change of attitude toward the party among great masses of people who are not members. The rapid increase in the number of industrial wage earners has shifted the weight of the population from the conservative peasantry to the city dwellers, whose conditions of life make them tolerant of Communist teachings. At the same time, the disappearance of the Kulaks and the rise of a less tradition-bound type within the collectivist system have had their effect upon the general temper of the agrarian population. It is a common observation of foreigners who have spent many years in modern Russia that sympathy with the purposes of the party and respect for its leaders among the non-partisan elements of the population are now much more widespread than at any time in the past. Lenin's followers were an isolated group of eccentrics. Stalin's intermingle with all sections of the people and are representative of the common run of humanity.

The Communist leaders seized the opportunity afforded by Lenin's Day to present to the public for the first time the outlines of the next Five-Year Plan. The general objectives of the plan have been approved by the Political Bureau, and its details have been given extensive consideration by the State Planning Commission. Its announcement on the eve of the party conference indicates that the dozen men who wield Soviet authority have no misgivings as to their ability to pronounce the present plan a success or as to their power to arouse the nation to another gigantic effort. The new plan stresses consumers' needs, stipulating that the light industries and the food industry must produce by 1937 three times the output of 1932. In agriculture, grain crops are to expand by 130,000,000 metric tons, and meat and dairy products are to increase proportionately. This is intended, as a secondary matter, to provide an exportable surplus of agrarian products, but its primary purpose is to contribute to the advancement of the standard of living within Russia.

Contrary to expectation, the plan does not subordinate the industrialization program to this purpose of easing the conditions of life within the country. Machine construction is scheduled to increase to three to three and a half times that of the present

year; electric power is to rise from 17,000,000,000 to 100,000,000,000 kilowatt hours; coal production from 90,000,000 to 250,000,000 tons; pig iron production is to increase two and a half times; oil production three times. The industrial crops of cotton and flax are to be doubled, and the output of nonferrous metals is to be increased sufficiently to meet the country's entire need. Similarly, ambitious plans are laid out for the transport industries. Within the next five years the railway system is to be modernized and to a large extent electrified, and 17,000 miles of new track are to be built. Roads and waterways are to be improved correspondingly. The plan takes account of the important problem of training the domestic labor supply to keep pace with the growing demand for skilled technicians. It is expected that by 1937 the Union will be independent of the alien expert and the imported manager, who are so indispensable to the functioning of the new industries at the present time. To this end a comprehensive scheme of technical education is elaborated, and this is described as "the most important factor in the successful development of socialism."

On examining the details of the program, one can scarcely avoid the impression that the Soviet leaders are attempting the impossible. If the figures are to be taken literally, the plan implies that in many basic departments of industry the Soviet Union proposes within five years to outstrip the most highly industrialized nations whose present position is the result of decades of continuous progress. The completion of the schedules for electric power, for example, would place the Union ahead of the United States in a field in which, at the present time, her performance is barely one-eighth that of this country. In the sense of measuring up fully to the specific requirements of the control figures it seems certain that this new effort of the Soviet leaders cannot succeed. In the same sense, the present program can be pronounced a failure, for it is unquestionably true that this year's schedules of performance are falling short of earlier specifications.

Such predictions of failure, however, take account of but one, and that the least essential, aspect of the problem. The Five-Year Program is more than a business undertaking; it is a gigantic experiment with a new type of social control. Indications of its success or failure which run in terms of the statistics of new construction or of output may have definite importance. But what is essential is that the rulers of the country maintain the principle of planned economy and the mechanism of authoritative control over individual behavior, employing their power to guide the country's development along the general lines marked out by their own ideals. From this standpoint the experiment has not failed, and the character of the new Five-Year Plan testifies to its success. The objective of a socialized economic structure prescribed by Communist theory has not been abandoned; the emphasis remains upon a rapid industrialization of the nation; the exercise of an authoritative control which will pervade all departments of human behavior and relationships is to increase rather than diminish.

SOVIET FOREIGN AFFAIRS

In the sphere of foreign relations, the affairs of the Soviet Union entered upon a new phase with the signing of her non-aggression pact with Poland on Jan. 26. The treaty runs for three years and contains provision for an automatic extension for an additional two years. It binds each State to abstain from attack upon the other and to maintain neutrality in the event of an attack by a third party. Steps are now being taken to devise methods of arbitration to give effect to the purposes of the treaty. This is the culmination of ten years of negotiation, at times heated and bitter, between the two powers.

The treaty, however, does not take effect until similar agreements have been made by Russia with her other Western neighbors—Finland, Estonia, Latvia and Rumania. Of these, Finland was involved in the Polish-Soviet negotiations and signed an identical treaty at the same time. Negotiations between Rumania and the Soviet Union are now in progress, the chief obstacle being the Bessarabian question. If this can be solved so as to enable Russia and Rumania to complete their treaty of non-aggression and neutrality, similar treaties with the other corridor States will follow automatically, since neither of these States has any serious unsettled controversy with Russia. In a statement published on the eve of his departure for the Disarmament Conference at Geneva, Commissar Litvinov was optimistic as to the outcome of the Rumanian negotiations. Dispatches from Poland are also optimistic, predicting that the near future will witness the inauguration of a non-aggression system along the entire Russo-European frontier.

The establishment of the principle of individual treaties, each contingent upon a general acceptance of similar terms by all the Eastern European States, is a triumph for Polish diplomacy. From the beginning of her long negotiations with Russia, Poland has demanded that the Soviet Union come to terms with her Western neighbors as a bloc, having been moved to take this position both by her alliance with these countries and by their common commitment to the leadership of France. The Soviet Government has heretofore steadfastly refused to accept this condition, but it now grants the substance of Poland's demand while preserving its own position with regard to the form.

These treaties are important to the stabilization of Europe and have a specific bearing upon the status of Germany. The news that the negotiations were under way was received in Berlin with some anxiety. It looked like a movement to isolate Germany in European politics, and, in particular, to thwart her efforts to revise the terms of the peace settlement with respect to her Polish frontier. The Soviet Union has attempted to set these fears at rest by assuring the German Government that the treaty would not imply a Soviet guarantee of Poland's western boundary, but these assurances are not very convincing. It is known that the Franco-Russian non-aggression pact initiated last year is being held in abeyance until the conclusion of similar arrangements between the Soviet Union and her Western European neighbors. A completion of the present negotiations, consummated by a similar treaty with France, will deprive Germany of a potential ally in her struggle against the French policy of hegemony in Europe dedicated to the preservation of the peace settlement. These implications of her recent treaty negotiations are no doubt understood by the Soviet Union. The decision to follow the present line of strategy must be interpreted as evidence of a change in Russian foreign policy which surrenders a working alliance with Germany in favor of a general neutralization of the European States, to create an arena within which the Soviet Union may pursue her domestic policy without fear of checkmate from outside.

Similar considerations of the necessity of conserving all energies for the achievement of her industrial aims help to explain Soviet Russia's policy with regard to the situation in the Far East and lend significance to the reported proposals for a non-aggression pact with Japan. Although the foreign offices in both Tokyo and Moscow have both denied that a secret treaty has been concluded governing the respective policies of the two governments in Manchuria, it has been obvious that possible causes of dispute have not affected relations between the two countries.

Palestine Sects at War

By ALBERT HOWE LYBYER

Professor of History, University of Illinois; Current History Associate

THE Palestinian scene, so often marred in late years by controversies between Arabs and Jews, now reveals comparative peace between these two peoples. On the other hand, not only both these groups but also the Greek Orthodox Christian community are torn by internal dissensions. The Arabs are ranged in hostile factions, led, respectively, by the Mufti and the Mayor of Jerusalem. The Revisionist Jews attack the more moderate Zionists. The Arab-born Greek Orthodox resist the domination of the Greek-born minority.

The Palestine Government announced on Jan. 7 its approval of the names of twelve Greek Orthodox Archbishops and Bishops as candidates for the office of Patriarch of Jerusalem, and declared that the Holy Synod might proceed to an election. Four days later the organized Greek Orthodox native laity, desiring the election of an Arab-born Patriarch, brought suit against the Synod to disqualify it because the Turkish regulations of 1875 require the participation of parochial representatives. On Jan. 26 the High Court gave judgment by default in favor of the plaintiffs, criticizing the Turkish law, holding that the Holy Synod is improperly constituted and declaring that the High Commissioner had exceeded his powers. The Greek-born clergy number only about 250 in a population of 70,000 and are accused of converting to their own use funds from the income and sale of lands, which should be applied to charity, education and social welfare. They endeavored to appeal to the Privy Council in London, but were estopped because of having failed to appear before the High Court. They then planned to appeal to the Archbishop of Canterbury, even suggesting that they might, with bag and baggage, enter the Church of England.

The Moslem Congress sat for eleven days, coming to an end on Dec. 16. At the last session bitter attacks were made against imperial rulers of Moslem peoples in Tripoli, Morocco and Java. Abdul Rahman Bey Azzam of Egypt spoke so fiercely about Italy that the High Commissioner ordered him deported the next day. Mohammed Maki Nasri of Morocco accused the French Government of "doing everything to kill Islam and the Arab spirit." The congress had previously heard bitter invectives against the Jews. A permanent committee of twenty-five was created and an administrative bureau of five. The Mufti, Haj Amin el-Husseini, was made president of both groups. Successive congresses were planned, to be held at intervals of two years.

Another committee, chosen by the rival Palestinian group, began preparations promptly for a Pan-Arab Congress, to be held in Iraq, Transjordania or the Hejaz, which is to work for a League of Arab Nations, all of which are to be advanced promptly to complete independence. All forms of imperialism as directed toward Arab countries are to be fought vigorously.

Six hundred Jewish school teachers went on strike on Jan. 14 because their salaries were in arrears for four months before last October, as well as since. This strike continued until

Feb. 10, when a compromise was arranged by which salaries will be paid for the current year and the previous arrears will be provided later.

The first graduation exercises of the Hebrew University on Mount Scopus were held on Jan. 25, when twelve men and one woman were awarded the degree of Master of Arts. The university now conducts a research institute into tropical diseases and possesses a library of 250,000 volumes. A staff of fifty is employed, and 180 students are following courses in such subjects as the Talmud, Hebrew literature and philosophy and Moslem religion and history.

Norman Bentwich, formerly Attorney General in the government of Palestine, was announced on Jan. 6 as the first incumbent of the Weizmann chair of international law and peace at the Jerusalem University. He had scarcely begun to deliver his inaugural lecture on Feb. 10 on the subject "Jerusalem, City of Peace," when young Zionists unconnected with the university started a disturbance. Tear bombs were thrown, protests were shouted against talking of peace, and students began fighting the intruders. Twenty police were summoned, and a dozen of the revisionists were arrested. Chancellor Magnes then succeeded in restoring order so that the lecture could be completed.

Dr. Nahum Sokolow, president of the World Zionist Organization, was welcomed in New York on Jan. 7. A telegram from Sir Philip Cunliffe-Lister, British Colonial Secretary, promised that "the present government will fulfill not only the letter but in the spirit those solemn obligations [under the Balfour Declaration] which it is their privilege to discharge." Dr. Sokolow spoke of the critical financial situation in Palestine, involving danger of a collapse.

POPULATION OF PALESTINE

The Palestine census of 1931 shows that instead of 590,890 Moslems, 83,794 Jews and 73,024 Christians, as in 1922, there are now 759,952 Moslems, 175,006 Jews and 90,607 Christians. While the total number of Jews had doubled, it still was only 17 per cent of the population, and its increase of 92,000 was much less than the Moslem increase of 169,000. The non-Jewish increase of 186,000 was, in fact, more than the total number of Jews in 1931. These figures are discouraging to Zionists, but should diminish tension in Palestine by showing Arabs that they need not fear displacement by Jews. The total of 1,035,154, which includes some other groups, shows an increase of 30 per cent in nine years. Cities contain 387,525 persons, about one-third of the whole. Jerusalem has 90,526 inhabitants, Jaffa 51,876, Tel-Aviv 46,109 and Haifa 50,689. Males outnumber females by 17,000.

TURKISH FOREIGN RELATIONS

Announcement was made in November that Fethi Bey, once Premier of Turkey and long Ambassador to France, would succeed Mouktar Bey as Ambassador to the United States.

Early in January a treaty was signed with Italy settling questions regarding small islands between Castelorizzo and the coast. A few days later a commercial treaty and a pact for extradition were signed with Iraq. Early in February Tewfik Rushtu Bey, Minister of Foreign Affairs, visited Teheran for the purpose of completing the adjustment of frontiers by which Turkey will receive part of Little Ararat Mountain and cede territory near the Bajirge Pass further south. An agreement was also expected looking to the restoration, by repairs and arrangements in both countries, of the important old road from Trebizond through Erzerum to Tabriz.

On Jan. 22 a portion of the Koran was read for the first time in the Turkish language at the mosque of Yerabatan in Istanbul. A radio microphone was set up a few days later

in the Santa Sophia Mosque in order to broadcast selections from the Turkish translation of the Koran, to be chanted by twenty-five clergymen.

More liberal import quotas were announced in December for the first three months of 1932. The increased list of government monopolies, which include tobacco, alcoholic liquors, gunpowder, matches and sugar, together with high customs duties, has led to a large amount of smuggling, especially on the west coast of Asia Minor and the Syrian frontier. The government has created sixteen special courts and a corps of guards to deal with the problem.

SYRIA NOMINATES A PRESIDENT

Henri Ponsot, French High Commissioner in Syria, issued several decrees on Nov. 19 and 20 and sent them with a letter to Sheikh Taj ed-Din el Hassain, then President of the Syrian Council of State. The first decree created a consultative council to assist the High Commissioner in putting into effect the organic statute of May 14, 1930; the council contains former heads of governments in Damascus, Aleppo and Syria, and several holders of high offices, making a total of thirteen names, reduced to eleven by duplications. The second decree reorganized the Syrian Government, pending the coming into force of the Constitution; the Ministers of Justice, Finance, Public Instruction and Public Works and Agriculture and a Secretariat General became a group charged with all administrative responsibility. The third decree ordered elections according to the rescript of March 20, 1928, which provided for the choice of electors, and a secondary election within twenty-five days of the first.

The elections were set for January, and, as previously described, both the preliminary canvassing and the actual elections were accompanied by violence and bloodshed in certain places. Nevertheless, the process was carried through with persistence and patience. Its success in the midst of difficulties suggests skillful political management by those in authority.

A chief cause for strife had been the question whether the new Syria should become a monarchy or a republic. The report came on Jan. 10, surprisingly early, that a caucus held in Aleppo the previous week, including a majority of the newly elected Deputies, had decided to choose Subhi Bey Barakat as President, with a view to a permanent republican organization. This statesman was chief of the Federation of Syrian States from 1923 to 1926.

The complex educational picture of Syria is revealed by a report of the High Commissioner sent to the League of Nations. Schools are in three subdivided groups. Government schools number 642, with 59,773 pupils, in the various States; national schools number 1,042, with 74,220 pupils, classified on a basis chiefly religious, as Moslem (104 schools), Maronite (300), Greek Catholic (163), Druze (81), Greek Orthodox (183) and Gregorian Armenian (101); foreign schools number 584, with 54,452 pupils, including French (433), American (95), English (31) and Italian (15). The total is 2,268 schools, with 188,416 pupils, a sum far too small for the proper minimum education of a population numbering about 3,000,000.

ARABIAN PEACE TREATY

A treaty of friendship and neighborliness was signed in December between the governments of the Hejaz-Nejd and the Yemen, thus ending a state of tension which has threatened Arabian peace during several years. The Yemen lately reached an agreement with Iraq and sent a representative to the Islamic Congress in Jerusalem.

THE TRANS-PERSIAN RAILWAY

The Persian Government has commissioned Swedish engineers to continue the work upon the trans-Persian

railway, which has been nearly at a standstill since the failure of the contracts with American and German groups.

ABYSSINIA APOLOGIZES

Addison E. Southard, the United States Minister to Abyssinia, was on Jan. 18 knocked down in a scuffle ten miles from the capital. Driving his automobile through a crowded village street, he injured a woman slightly. A "mob and a drunken police officer" dragged Mr. Southard's chauffeur from the car, and when the Minister stepped out to intercede he was struck down. The American State D partment cabled that immediate a: effective steps should be requested the Emperor to punish the guilty aı to protect foreign representatives. (Jan. 22 apologies were tendered, aı six days later an elaborate ceremoı was held at the scene of the incider The ten offenders were each se tenced to one year's imprisonme and a fine of 500 Abyssinian dollaı which would be equivalent to life iı prisonment. Secretary Stimson ask for a measure of clemency for the men.

Plan to End Slavery in Liberia

The second meeting of the International Committee on Liberia was held at Geneva on Jan. 26 to consider the report and recommendations of three experts who were in Liberia during June and July, 1931. Samuel Reber Jr., formerly Chargé d'Affaires at Monrovia, was appointed to represent the United States as one of seven nations participating. Conditions involving slavery with much brutality were found. Many natives were reported to have been punished for their testimony before the commission l flogging, burning of their villages aı even killing. The committee drew ı a plan of reform, to be supervised l eight or nine foreign advisers, for su mission to the Council of the Leagı of Nations. Charles E. Mitchell, tl United States Minister, was r quested by the State Department decline to recognize as President E win Barclay, elected after the resign tion of Charles D. B. King, who w: believed to be partly responsible f the conditions of slavery.

TO AND FROM OUR READERS

[Anonymous communications will be disregarded, but the names of correspondents will be withheld from publication upon request. The Editor assumes no responsibility for unsolicited manuscripts unless they are accompanied by return postage.]

WALTER E. EDGE, United States Ambassador to France, when writing recently in regard to the sending of copies of this magazine to him at the Embassy in Paris, remarked that he was much "pleased with the able and lucid manner in which several international questions were presented in the issues of CURRENT HISTORY."

* * *

DAVID G. GEORGE, State Secretary, the Socialist party of Virginia, Richmond, Va., writes: "I have been a loyal reader of CURRENT HISTORY for about five years, having been attracted first by the 'war guilt' articles, and I appreciated especially the intelligence and excellence of Harry Elmer Barnes's exposition of the truth at the bottom of that question. I think yours is an excellent magazine, making a unique monthly contribution to thought and progress."

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CONFLICTING STANDPOINTS OF THE TWO AMERICAS

To the Editor of Current History:

The article by Henry Kittredge Norton, "Conflicting Standpoints of the Two Americas," in your December issue, interested me particularly, for on a recent visit to South America I had inquired why the United States was often severely criticized. I found that the dislike is due to neither the Monroe Doctrine nor the American Caribbean policy. It rests rather on what Dr. Herman G. James, president of the University of South Dakota, recently termed the "Protestant superiority complex." Dr. James remarked: "For countries in which the Catholic Church did what was done for the native Indians of Latin America to be patronized and Protestantized by the churches of a country whose Protestant ancestors did what was done to the Indians in the United States is naturally somewhat irritating."

THOMAS O'HAGAN.

Toronto, Ont.

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THE NEW AGE OF AMERICAN POETRY

To the Editor of Current History:

The common sense and broad vision which combined to permit in a magazine devoted to "history in the making" the inclusion of an article on American poetry are highly commendable. John Macy's "The New Age of American Poetry," in January CURRENT HISTORY, tells a story that without doubt is part of the saga of the nation's progress. It is refreshing to discover it in a periodical not solely interested in the esthetic.

Why was it, however, that a man of Mr. Macy's reputation should have contented himself with a recital of names and facts which every literate American has long known? Should not an article on the "new age" in our poetry be more concerned with the leading exponents of that newness? We no longer need a critic or historian to tell us that Robinson, Frost, Lindsay, Sandburg and Masters were—and are—important poets. Practically no one disputes their claim to fame. What we do want to know, on the other hand, is what a critic of Mr. Macy's calibre thinks of such poets as Conrad Aiken, Hart Crane, Robinson Jeffers. Mr. Macy does not even mention the last two. Consequently, his account was more or less disappointing to me.

WALKER G. SMITH.

Schenectady, N. Y.

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FRENCH INTERNATIONAL POLICY

To the Editor of Current History:

Among the several excellent articles in your exceptionally interesting February issue, Mr. Robert Valeur's on how France recovered her prosperity and thus became once more the most powerful country of Continental Europe deals with a matter of the greatest importance at the present time. While no one can begrudge France her return to health and strength after her sufferings during the World War, Mr. Valeur's picture of her new affluence and vitality helps to explain why the settlement of the European problem is still apparently remote.

France, naturally, demands what she calls security from fear lest the work of restoration should be undone. This French standpoint is fully understandable, even if to the rest of the world it means the insecurity of embittered relations. It, therefore, seems that if France is to be induced to cooperate in solving the present difficulties of Europe and indirectly of the world at large, nothing is to be gained by attempting to disregard that great nation's legitimate de-

mands. Rather, it should be the task of statesmanship to devise means of bringing about more amicable relations as a basis of better understanding.

A great deal of the criticism which has been directed against France has served to thwart all efforts toward conciliation. A nation as proud as it is strong must inevitably be provoked into assuming an attitude of defiance when it is made the subject of constant attack.

There is still another reason for deprecating the stream of abuse directed against France. Such a policy strengthens the hands of the die-hards and makes it almost impossible for the saner and more liberal elements among the French people to transform the policy of their government along the lines of wholesome internationalism. We must not accept the French nationalist newspapers as voicing the real opinions of the majority of the French people. Any one familiar with France knows that there is a very large section of the people who do not share the die-hard views to which unfortunately most prominence is given.

Lovers of peace and workers for more enlightened international relations in all countries should strive to aid and not weaken those of a similar outlook in France. For that reason we in America should approach the study of French foreign policy with an open mind and a determination to discover exactly what are France's legitimate demands and to devise means of satisfying them as part of a general settlement of the issues which, if unresolved, may bring the world still greater trouble.

CHARLES F. BUTLER.

Worcester, Mass.

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GEORGE WASHINGTON

To the Editor of Current History:

Mr. John Corbin seems to have thought it important in his article in February CURRENT HISTORY to decry or make light of those who like to think of George Washington not only as an engineer but as one of the greatest of that profession. It is true he was not a graduate engineer. I think perhaps there were none in this country in his time, certainly not native ones.

A great engineer is one who plans and executes great public or quasi-public works, physical or mental or spiritual. And Washington's list in these classes includes the Potomac Canal, the Dismal Swamp Canal, the Braddock Road, the battle plans of the Revolution, the plans to cultivate 4,000 acres of the Mount Vernon estate for five years after his death, the armory at Harper's Ferry, the West Point Military Academy, the James River and Kanawha River Canals, and numerous other things of that kind, including the United States of America. Some of them still exist in good use; others have been improved by modern engineers and inventors into such things as the Baltimore & Ohio Railroad, the Chesapeake & Ohio Railroad and the Erie Canal.

EUGENE E. PRUSSING.

Hollywood, Cal.

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LEADERSHIP IN BUSINESS

To the Editor of Current History:

Gerald W. Johnson's description of the average American's behavior during the depression, printed in CURRENT HISTORY for February, hits the nail on the head when he says that we have become "very tired of humbug" and lost faith in those who are regarded—or regard themselves—as the nation's leaders, the big business men. But then to whom are we to look for direction and guidance?

The men who by profession are supposed to be capable of thinking about our problems are the economists, sociologists and other experts on the faculties of our universities and colleges. But can they claim to be of any greater value than the business men themselves, for is it not a fact that the scholars and investigators of our institutions of learning are employed in many various capacities by banks, industrial corporations and business firms generally? Professors of economics and other subjects play quite a considerable rôle in our business world, either directly in helping to frame policies or through the books and other writings with which they feed the minds of financiers and industrial magnates.

This being the case, is it not in order to ask, not merely why business leadership has failed, but what is wrong with the experts and specialists who do a considerable amount of the thinking for the business leaders? In so far as we have suffered from muddled thinking, we are all at fault, and the nation is merely acting under the influence of ideas—or misconceptions—that permeate our whole national life.

Ability to do battle with error, however, should be expected from the professional thinker or scholar rather than from the man engaged in the daily task of carrying on business. If we are to regain confidence in him, still more should it be possible to look for inspiration to the sources from which business derives its ideas. Let us, therefore, hope that the universities and colleges will recognize their responsibilities and play their part with better judgment.

JOHN REGSON.

Chicago, Ill.

The New York Times

1931 RECORDS

	1931	1930	Increase	Decrease
NET PAID CIRCULATION:				
Year ended Dec. 31, 1931 - Average Daily	461,884	429,275	32,609	
Average Sunday	754,914	741,410	13,502	
PAPER CONSUMPTION	110,095 tons (220,190,560 lbs.)	107,336 tons (214,671,940 lbs.)	2,759 tons (5,518,620 lbs.)	
INK CONSUMPTION	4,664,735 lbs.	4,670,425 lbs.		5,690 lbs.
PAGES PRINTED:				
Number of pages in issue for year ended Dec. 31, 1931	25,888	26,985		1,097
Total pages printed during the year ended Dec. 31, 1931	15,270,289,808	14,951,865,440	318,424,368	.
Average number of pages in daily issue	49	50.38		1.38
Average number of pages, Sunday issue	202.9	215.6		12.7
PAYROLL (WEEKLY)				
(The New York Times Company)	$178,285	$177,918.26	$366.71	.
PAID POST OFFICE DEPARTMENT				
Year ended Dec. 31, 1931 (The New York Times Company)	$646,797	$676,230.73	.	$29,433.73
EMPLOYES' WELFARE ACTIVITIES				
(The New York Times Company) for the year ended Dec. 31, 1931, including Pensions, Sick Benefits, Hospital, Insurance, Club Room, Social Service, etc.	$500,141	$496,500	$3,641.00	.
TELEGRAPH, WIRELESS, CABLE				
Number of words received daily, excluding Associated Press (average)	87,000	99,000	. .	12,000
Cost per week	$9,672	$9,605	$67	.
Cost per year	$502,945	$499,467	$3,478	.
ADVERTISING LINAGE				
Agate lines published in 1931 (All advertising subject to The Times high standards of acceptability. The total was 8,053,909 lines more than that of any other New York newspaper.)	24,102,912	26,533,370	•	2,130,458
MAIL AND TELEPHONE CALLS				
Telephone calls per day (average)	10,000	9,000	1,000	. . . .
Letters received per day (average)	6,000	7,500	. . .	1,500
NUMBER OF EMPLOYES				
Editorial and News Departments	651	616	35	. . . . .
Business Office	977	953	24	. . . . .
Mechanical Department	1,986*	1,800	186	. . . . .
Executive	86	84	2	. . . .
Total	3,700	3,453	247	. . . .

*This figure includes 452 men, many of them additional employes working less than four days a week, owing to five-day week adopted by union employes in certain departments to spread work.

PRICELESS

are the voices of those we love

WHAT PRICE COULD BE SET ON THE VOICE AND LAUGHTER OF A LITTLE CHILD A THOUSAND MILES AWAY? WHAT PRICE ON THE BRIEF AND REASSURING PHRASE, "WE'RE ALL WELL"? WHAT PRICE ON A HUNDRED WORDS BETWEEN SEPARATED LOVERS

WHAT price on a doctor's midnight directions, on the swift response of the fire department, on the relief of anxiety, the cementing of friendship, the unexpected greeting after a long silence?

What price on speed in business, on the smooth running of a household, on leisure or rest without neglect of duty, on shelter in a day of storm?

How can any one say what the telephone is worth to you? We set a value on such visible, physical things as wires, poles, switchboards, instruments, operation. We set a price on telephone service based on what it costs us to render it and to assure its continued growth.

These considerations are fairly exac[t]. But they have little relation to the actu[al] worth of the telephone in your home o[r] office. That is frequently a thing of th[e] spirit and cannot be measured in term[s] of money.

When you buy telephone service yo[u] buy the most nearly limitless service th[e] world affords. Because of it you receiv[e] the thoughts and emotions of oth[er] people and express your own though[ts] and emotions to them. There are n[o] hindering handicaps of time or distance, place or circumstance. For a few pennie[s] a day, you move out of your own littl[e] corner in the kingdom of ideas and ar[e] free to range where you will.

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